LARSEN & TOUBRO
It's all about Imagineering

63rd Annual Report
2007-2008

Nation Honours Holck-Larsen

On June 12, 2008, the Government of India paid a richly deserved tribute to L&T's co-founder Henning Holck-Larsen. Releasing a commemorative stamp, Mr. A. Raja, the Union Minister of Communications & IT said: "Henning Holck-Larsen is an inspirational figure in India's corporate history. Men like him have played a pivotal role in the making of modern India. We are privileged to recognise his contribution by releasing a postage stamp in his honour."

VISION

L&T shall be a professionally managed
Indian multinational,
committed to total customer satisfaction
and enhancing shareholder value.

L&T-ites shall be an innovative,
entrepreneurial and empowered team
constantly creating value
and attaining global benchmarks.

L&T shall foster a culture of caring,
trust and continuous learning
while meeting expectations of
employees, stakeholders and society.

LARSEN & TOUBRO LIMITED

LARSEN & TOUBRO
It's all about Imagineering

A. M. Naik
Chairman & Managing Director

Dear Shareholders,

I have great pleasure in sharing with you the highlights of another successive year of significant achievements. Last year, I had indicated that we would be making substantial investments for profitable growth. I am pleased to report that in the year under review, we have accelerated our growth momentum, while achieving higher profitability.

In FY 2007-2008, new records have been set for Order Inflows, Revenues, Order Book and Profits. The most encouraging part is that despite large spending on capacity creation & capability building, we have been able to maintain ROCE at 20.6%, and grow our EVA by over 51% to Rs. 834 crore. I am, therefore, pleased to propose issue of 1:1 Bonus shares, subject to your approval.

You will be happy to know that L&T was adjudged India's best managed company in a study carried out by the leading publication Business Today in association with the consultancy firm Ernst & Young in March, 2008. L&T emerged not just the winner in its own category, viz., 'Industrial Product', but was ranked 'the best of the best' across all sectors.

I am also delighted to inform you that in the birth centenary year of our co-founder Henning Holck-Larsen, the Government of India issued a commemorative postage stamp honouring him for his contribution to Indian industry. This is a matter of pride for all L&T-ites, and for all those associated with us.

Beyond the balance sheet lies another story of L&T's success. Corporate sustainability commitments have found a willing 'buy in' across the Company. Our first ever report on Corporate Sustainability will be released this year – another milestone in the Company's 70th year.

Performance Overview:
The Indian economy has sustained a high growth trajectory, registering an impressive growth of 9% during FY 2007-2008 despite the financial turmoil around the globe and the surge in commodity prices. L&T's performance is laudable when viewed against these challenging circumstances.

The Company's order inflow has increased by 37% to Rs. 42,019 crore in FY 2007-2008. Having won the prestigious order for Delhi International Airport project last year, we repeated the feat by bagging the largest order for modernization & expansion of Mumbai International Airport. We have also secured an international order for 18 reactors & 4 separators for Kuwait National Petroleum Company's prestigious 'Clean Fuel Project 2020'. This is the biggest-ever order placed with any single manufacturer in the world for such a huge number of large-sized critical reactors. The quality and complexity of orders bagged reflect the Company's technical prowess and strong position in the infrastructure and hydrocarbon sectors.

The order book as on March 31, 2008 stood at a healthy Rs. 52,683 crore of which Rs. 8,736 crore was contributed by international business. The Company's Sales recorded a smart growth of 41% amounting to Rs. 25,187 crore. Profit After Tax has increased by 55% to Rs. 2,173 crore. This is a clear testimony of the strength of our business model and our streamlined execution capabilities.

The L&T group as a whole has also performed well, with Total Income increasing by 40% to Rs. 29,883 crore. The group Profit After Tax (excluding gain on divestitures) has grown from Rs. 1,810 crore to Rs. 2,304 crore. Growth in profitability has enabled the Company to recommend/pay a higher total dividend of Rs.17 per equity share on a face value of Rs. 2 per share for the year.

ACCELERATING GROWTH:

The Company is poised for rapid growth by reorganising the business structure, and by placing increased emphasis on talent management, technology self sufficiency, brand building and sharper focus on IT in business. We have taken a slew of initiatives on each of these fronts, and a few more, to sustain L&T on its accelerated growth path.

- **Organization Structure:**

During the early stages of Project Lakshya, we had envisioned a structure with greater alignment to industry / customer segments. We have plans to create 12 Operating Companies within the existing L&T corporate structure. Each Operating Company will be responsible for its strategic & operational decisions and performance. To ensure greater empowerment, each Operating Company will have independent support functions such as Finance & Accounts, HR, Supply Chain Management, Corporate Centre, etc. This new structure is expected to provide a platform for sustained value creation.

- **Talent Management:**

A strong committed workforce, supported by a unique work culture and coupled with innovative HR processes & policies, continue to be the Company's greatest strengths. We believe in continuous development of our employees. The Training and Development department offers a wide menu of training programmes to our employees for developing technical, behavioural and managerial skills. Our focus on employee productivity, empowerment and the continuous exposure given to the employees in the latest technological advancements bolster our HR initiatives for retaining talent.

We have launched a structured leadership development program for developing leaders on an ongoing basis. This exercise is expected to not only meet short-term operational challenges but also to provide future leadership for taking on larger responsibilities.

Building an engaged and loyal workforce has always been our endeavour - a workforce that enjoys maximum job satisfaction while contributing to the realization of L&T's vision, and thereby our collective dream of making India one of the leading nations in the world.

- **Technology:**

In every sphere of L&T's operations, technology continues to be a key enabler. It reinforces our leadership position and sustains our competitive strength in the industry. While technology is generally viewed as a means to an end, for L&T, technology represents endless possibilities.

Further to our joint venture with Mitsubishi Heavy Industries Limited (MHI) for the manufacture of super-critical boilers, we have signed another agreement with MHI for manufacturing super-critical steam turbine and generator in India. The Company has also entered into a joint venture with the US-based Gulf Interstate Engineering Company (GULF) to provide end-to-end engineering & project management services to the hydrocarbon pipeline industry in India and abroad. We are constantly strengthening our technological presence in coal gasifier, water & hydrocarbon industry. The Electrical & Electronics Division of the Company filed over a hundred patent applications on its range of electrical and electronics products during 2007-2008, highlighting its leading edge in product innovation.

- **Brand Building:**

The L&T brand strikes a resonant patriotic chord across our domestic target groups. Consistent brand positioning has enabled us establish a strong and memorable image of L&T as 'a nation-builder'. Brand tracking and studies of various stakeholders affirm that public perception of L&T is in line with the Company's communication objectives. L&T's tag line – 'It's all about Imagineering' reflects the sharpening focus on knowledge-intensive businesses as the Company migrates to the upper end of the technology spectrum.

- **IT in Business:**

We have been one of the early adopters of the latest solutions in Information Technology, and have kept pace with the times in leveraging IT for business applications including ERPs and Internet enabled systems. Our IT Governance and Risk Management framework focuses on IT-business alignment, value delivery, IT performance & metrics, support and information security. An Enterprise Disaster Recovery Centre has been set up, and is being operationalised for ensuring business continuity.

The Company believes that a strong Information System backed by latest technological support will have a significant bearing on the exploitation of emerging global business opportunities.

Capacity Expansion:

The Company's expansion plans and creation of various centres of excellence and manufacturing facilities are in line with the ongoing and anticipated growth in the infrastructure and hydrocarbon sectors.

Shipbuilding represents a new thrust for L&T in the high technology manufacturing space, and is in accordance with the Company's strategic growth objectives. We are setting up a world class integrated Shipyard Complex at Kattupalli, near Ennore in Tamil Nadu. The complex will have facilities for building vessels for the defence sector, commercial ships including Very Large Crude Carriers, specialized cargo ships for

liquid / gas transportation and cruise vessels. It will also have the capability for building off-shore platforms and floating production cum storage facilities for the oil & gas sector. In addition, the shipyard will incorporate facilities for refitting & re-engineering of commercial & defence vessels, heavy engineering fabrication and component production for shipbuilding.

Our Coimbatore growth centre, inaugurated in April 2007, is equipped to manufacture high-end industrial valves and switchboards for the domestic and international markets, and position India as a global player in the high-end manufacturing space. In October 2007, we commenced operations at three new facilities at Coimbatore. These include an engineering centre for electrical systems, a precision machining centre and a manufacturing unit for petroleum dispensing pumps.

We have doubled the capacity of our Automation Systems Centre by setting up a new campus in Navi Mumbai. The first phase of the new state-of-the-art and the largest integrated factory for track systems and module in India, is now operational at Talegaon, near Pune. We have acquired land at Hazira for setting up manufacturing facilities for super-critical boilers and super-critical steam turbines & generators. As a major initiative, the Company has also established a Railway Business Unit and intends to become a turnkey solutions provider for the growing needs of the railway sector.

International Operations:
L&T's large technology base and pool of experienced professionals enable it to offer integrated services in world markets. We have placed greater emphasis on accelerated growth in GCC countries.

To address the booming infrastructure market, we have formed joint ventures and set up execution centres in various GCC countries. The Company has established a state-of-the-art fabrication facility for the manufacture of modular structures, heavy jackets and off-shore oil & gas platforms at Sohar in Oman. Work on establishing a greenfield plant in Sohar for the manufacture of high-tech equipment for refineries, petrochemical and fertilizer projects and other process industries is proceeding at a rapid pace. We have set up design engineering centres at Sharjah and Abu Dhabi for providing design and engineering consultancy services in oil & gas and infrastructure sectors. In keeping with our tradition of simultaneously developing local resources while meeting our business objectives, we have invested in workmen training in Oman.

A switchboard manufacturing facility was set up in Saudi Arabia for power and motor control systems with automation in the Low Voltage and Medium Voltage sectors. As you are aware, we already have manufacturing operations for high end switchgear, industrial valves & tyre moulding presses in China for catering to local market, as well as for export to global markets.

Mergers & Acquisitions:
We have completed a major acquisition in the electrical segment by acquiring the switchgear business of Tamco Corporate Holdings, Malaysia which has manufacturing facilities in Malaysia, China, Indonesia and Australia. The acquisition of Medium Voltage switchgear technology is an important step in expanding our product range to be able to offer a full suite of products to meet customer requirements in India and in the GCC countries. We have also acquired strategic stakes in some of our key vendors for ensuring availability of raw materials.

In line with our philosophy of exiting non-core businesses, we decided to exit the Ready Mix Concrete business. Definitive agreements have been signed to transfer this business to Lafarge Aggregates India Private Limited. We have also divested our stake in HPL Cogeneration Limited.

Outlook:
While macro economic fundamentals continue to inspire confidence, the recent slowdown in the industrial sectors, coupled with the spike in input costs, particularly oil, and the credit squeeze, may impact the ability of the capital goods sector to sustain the growth momentum in the near term. Despite this, in view of the current pace of hydrocarbon & infrastructure development in the country and the neighbouring regions as well as L&T's entry into manufacturing of super-critical boilers and super-critical steam turbines & generators , the prospects for growth appear promising. The Company's businesses are geared to harness the full potential of the emerging opportunities.

Finally, I wish to express my sincere gratitude to all L&T-ites for their strong commitment in driving the growth of the organization. I am also deeply appreciative of the continuing support of my colleagues, our customers, business associates, shareholders and members of the Board. It is the teamwork and support of every L&T-ite that builds confidence in our ability to continue on the profitable growth journey.

With best wishes,

A. M. Naik
Chairman & Managing Director

Mumbai, May 29, 2008

The Pledge

On the conclusion
of the year-long centenary celebrations
of our beloved Henning Holck-Larsen,
and in the 60th year of India's independence
we solemnly pledge to carry forward
his commitment to nation-building.

We shall delight our stakeholders,
strive for excellence at every step,
and continue to work
for the betterment of society.

We shall redeem the trust he reposed in us
and rededicate ourselves
to his vision, values and principles.

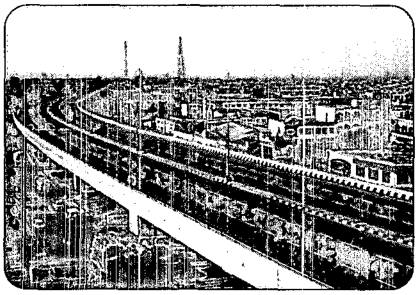
Henning Holck-Larsen Centenary
A Hundred Years
An Enduring Legacy
1907 - 2007

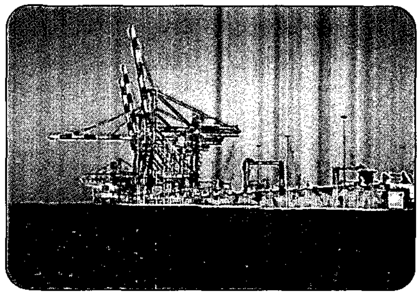
In Henning Holck-Larsen's centenary, the emphasis was not on celebration but on service. On June 9, 2008, at the conclusion of a year-long calendar of events, L&T-ites once again pledged to carry forward Holck-Larsen's commitment to nation building. The pledge was administered by Mr. A. M. Naik, Chairman & Managing Director to L&T-ites countrywide.

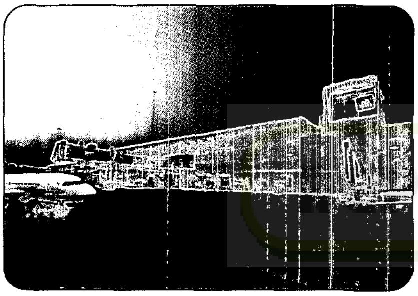
LARSEN & TOUBRO
It's all about Imagineering

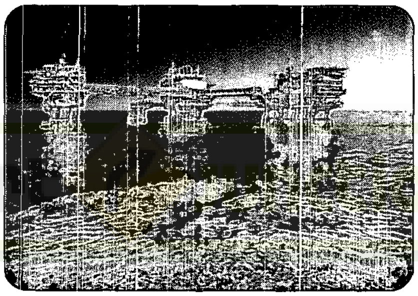
70 Years of Nation Building

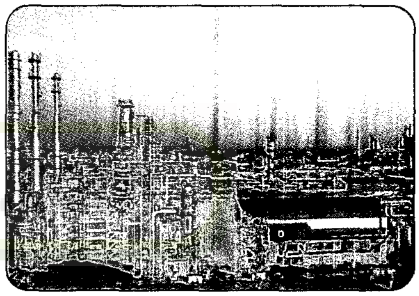

Commercial & Residential Complexes

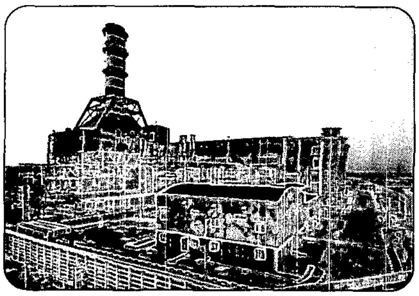

Roads & Bridges

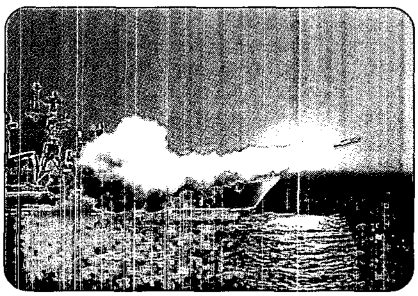

Ports & Harbours

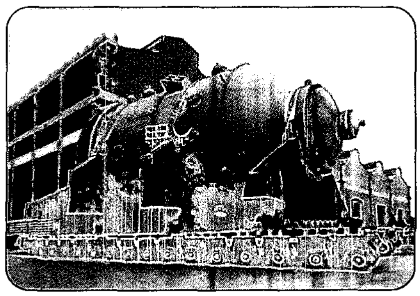

Airports

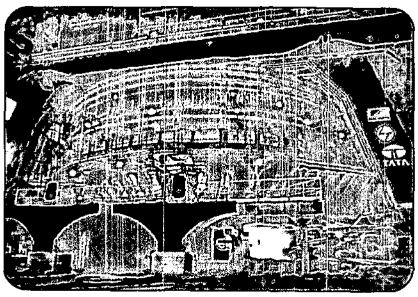

Oil & Gas Projects

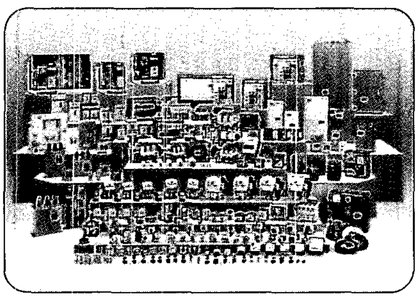

Refineries

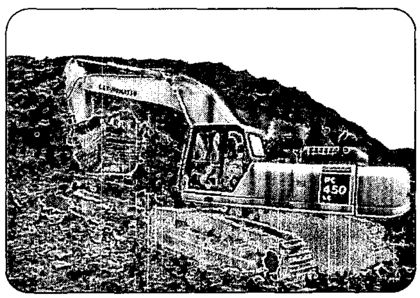

Power Projects


Missile & Weapon Systems


Process Plant Equipment

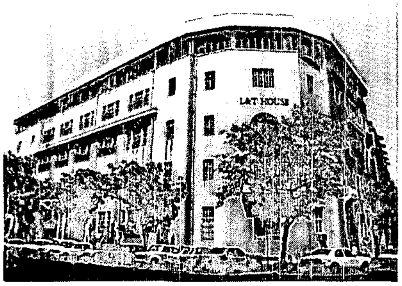

Steel Plants


Switchgear


Construction & Mining Machinery

CONTENTS

LARSEN & TOUBRO
It's all about Imagineering



L&T's Corporate Office in Mumbai

63rd ANNUAL GENERAL MEETING
AT BIRLA MATUSHRI SABHAGAR
9, MARINE LINES, MUMBAI 400 020
ON FRIDAY, AUGUST 29, 2008
AT 3.00 P. M.

COMPANY INFORMATION

BOARD OF DIRECTORS

A. M. Naik	*Chairman & Managing Director*
J. P. Nayak	*Whole-time Director & President (Machinery & Industrial Products)*
Y. M. Deosthalee	*Whole-time Director & Chief Financial Officer*
K. Venkataramanan	*Whole-time Director & President (Engineering & Construction Projects)*
R. N. Mukhija	*Whole-time Director & President (Electrical & Electronics)*
K. V. Rangaswami	*Whole-time Director & President (Construction)*
V. K. Magapu	*Whole-time Director & Senior Executive Vice President (IT & Technology Services)*
M. V. Kotwal	*Whole-time Director & Senior Executive Vice President (Heavy Engineering)*
S. Rajgopal	*Non-Executive Director*
S. N. Talwar	*Non-Executive Director*
M. M. Chitale	*Non-Executive Director*
Thomas Mathew T.	*Nominee – LIC*
N. Mohan Raj	*Nominee – LIC*
Subodh Bhargava	*Non-Executive Director*
Bhagyam Ramani (Mrs.)	*Nominee – GIC*
A. K. Jain	*Nominee – UTI*

COMPANY SECRETARY
N. Hariharan

REGISTERED OFFICE
L&T House, Ballard Estate, Mumbai – 400 001

AUDITORS
M/s. Sharp & Tannan

SOLICITORS
M/s. Manilal Kher Ambalal & Co.

REGISTRAR & SHARE TRANSFER AGENTS
Sharepro Services (India) Private Limited

ORGANISATION STRUCTURE

A. M. NAIK
CHAIRMAN & MANAGING DIRECTOR

- **ENGINEERING & CONSTRUCTION**
  - **K. V. RANGASWAMI** → **CONSTRUCTION**
  - **K. VENKATARAMANAN** → **E&C PROJECTS**
  - **M. V. KOTWAL** → **HEAVY INDUSTRY**
- **ELECTRICAL & ELECTRONICS**
  - **R. N. MUKHIJA**
- **MACHINERY & INDUSTRIAL PRODUCTS**
  - **J. P. NAYAK**
- **TECHNOLOGY SERVICES & CIO**
  - **V. K. MAGAPU**
- **FINANCE & HR**
  - **Y. M. DEOSTHALEE**
- **DEVELOPMENT PROJECTS & FINANCIAL SERVICES**
  - **Y. M. DEOSTHALEE**

CONSTRUCTION — OPERATING COs.

Buildings & Factories
- Institutional & Commercial Buildings
- Townships & SEZ
- System Housing
- Industrial Plants
- Formwork & Building Products

Infrastructure
- Ports & Harbours
- Bridges
- Roads & Runways
- Hydroelectric
- Nuclear Power
- Railways
- L&T Ramboll – Engineering Services

Metallurgical, Material Handling & Water
- Minerals & Metals
- Bulk Material Handling
- Water Treatment & Distribution Projects
- Fabrication Facility

Electrical Projects
- *Transmission Lines*
- Substations
- Industrial Electrification & Instrumentation
- Railway Electrification

E&C PROJECTS — OPERATING COs.

Upstream
- Oil & Gas EPC Projects
- Modular Fabrication & Drilling Rigs
- Floating Production Systems
- Pipelines
- L&T Valdel - Engineering Services

Mid & Downstream
- Refineries
- Petrochemical & Fertilisers
- Pipelines
- Construction Services
- L&T Chiyoda- Engineering Services

Power
- EPC Power – Combined Cycle & Coal Based
- Construction Services
- Manufacturing
  - Boilers & Turbines
- Renovation & *Modernization*
- Operation & Maintenance
- L&T Sargent & Lundy - Engineering Services

SBUs
- Cement & Mineral Projects
- Water Process Technology

HEAVY INDUSTRY — OPERATING COs.

Heavy Engineering
- Coal Gasifiers & Thermal Plant Equipment
- Fertilizer, Petrochemical & Heat Transfer Equipment
- Refinery, Cracker Plant and Oil & Gas Equipment
- Weapon Systems
- Marine
- Nuclear Power Equipment
- Aerospace & Aviation

Shipbuilding
- Merchant
- Repair & Refit

R. N. MUKHIJA — OPERATING CO.

Electrical & Automation
- Electrical Standard Products
- Electrical Systems & Equipment
- Metering & Protection Systems
- Control & Automation
- TAMCO – Medium Voltage Equipment

SBUs
- Medical Equipment & Systems
- Petrol Dispensing Pumps & Systems

(Heavy Industry and Electrical & Automation →)
- Strategic Electronics
- Spectrum Infotech – *Avionics*

J. P. NAYAK — OPERATING COs.

Industrial Products & Machinery
- Industrial Machinery for Paper, Steel, Bulk Material Handling, etc.
- Industrial Valves
- Rubber Processing Machinery
- Plastics Processing Machinery
- Welding Products & Cutting Tools
- Foundry Products

Construction Machinery
- Construction & Mining Machinery
- Hydraulic Equipment
- Undercarriage and Material Handling Systems
- Spares & Service

V. K. MAGAPU — OPERATING CO.

L&T Infotech IT Services

Verticals
- Manufacturing
- Energy, Oil & Gas
- Petrochemicals & Process Plants
- Product Engineering Services
- Insurance
- Banking & Financial Services

Horizontals
- ERP – SAP, Oracle
- Infrastructure Management Services

SBUs
Engineering Services
- Mechanical & Mechatronics Services
- Embedded Systems & Software

Y. M. DEOSTHALEE

Financial Services
- Infrastructure Finance
- Equipment Finance
- Trade Finance

Infrastructure Development Projects
- Airports
- *Ports & Harbours*
- Railways
- Roads
- Water

Power & Utility Development
- Thermal
- Hydroelectric
- Transmission & Distribution

Property Development

GEOGRAPHIC FOCUS : L&T has a dominant position in the technology, construction & manufacturing sectors in India. The company has strengthened its presence in the Gulf, and has established production facilities and project capabilities in that region for its business activities.

(This Organisation Structure is under implementation from 2008-2009)

LEADERSHIP TEAM

(Front row - from left to right): Mr. J.P. Nayak, Mr. A.M. Naik and Mr. Y.M. Deosthalee
(Rear - from left to right): Mr. K. Venkataramanan, Mr. M.V. Kotwal, Mr. V. K. Magapu, Mr. R. N. Mukhija and Mr. K.V. Rangaswami

People

From employee to L&T-ite,
from participant to passionate champion

Customers and associates have frequently commented about a striking characteristic of the L&T-ite at work. He does not appear to be putting in 'just another day at the work place', he seems to be on a mission, charged with his task, obsessive about detail, passionate and driven. A project for an L&T-ite is not a chore to be completed, it's a cause to champion. Why and how does this happen? It is hard to place one's finger on the reasons – but part of the answer could be the environment into which a new joinee is initiated, the example he is set by his peers and the legacy he inherits.

And what a remarkable legacy we have! Our founding father – Henning Holck-Larsen gave us a value system that placed people at the very heart of every endeavour. As he had said: "Machinery must be there, buildings must be there, but without the people, it's all nothing. People are our only real asset".

We recognize that today's economy holds out a challenge to this very asset. The integration of India's economy with the global order, and the consequent blurring of national boundaries has given talent a mobility it never had in the past.

Talent Attraction

L&T offers the opportunity to be a part of a dynamic team in an energy charged environment. L&T has recruited over 1000 Graduate Engineer and Diploma Engineer Trainees during the year from over 300 engineering colleges across the country. L&T also recruited experienced candidates laterally, particularly for the middle management level. This exercise is backed by a systematic Manpower Budgeting process in line with the business needs of the Company.

Unlocking People Potential

At L&T, no dichotomy is seen between a 'caring' company and a 'challenging' environment. L&T cares for its employees and greatly values the contribution they make, while at the same time, sets before them daunting targets. L&T, therefore, considers it as its prime responsibility to offer people all the tools and techniques to facilitate performance and create a competitive environment of excellence.

A People Management programme helps managers sharpen their skills in managing people and build strong work relationships. This programme is an attempt to put HR at the door-step of the line manager - where it truly belongs. Over a hundred programmes have been conducted covering around a thousand managers. In all, over five thousand employees will be covered. L&T believes that teaching is an effective means of internalising learning. An internal team of trainers, comprising line managers, has been developed to cascade the programme.

We envisage that the total training man-hours will increase appreciably in the future. L&T has, therefore, decided to augment its training facilities. While L&T has already created training facilities at Madh in Mumbai and at Mysore, it is also in the process of doubling the capacity of the Management Development Centre at Lonavala.

The Human Resources Development constantly reinforces the employee's sense of belonging and sustains his or her motivational levels. For this, L&T believes it is vital that employees perceive a clear linkage between their performance and the rewards they receive. The Performance Measurement System called FAIR – **F**ramework for linking **A**ppraisal with **I**ncrements & **R**ewards was reviewed and revised recently to make it more effective particularly with regard to employee development and fostering an appreciative culture.

Several initiatives have been taken by Divisions to improve employee engagement. These initiatives are focused at the Divisional as well as the workplace level and address areas such as team building, performance feedback, infrastructure, work life balance, fun at work, etc.

L&T offers training programmes for developing technical, behavioural and managerial skills. Efforts are constantly

Training does not always mean lectures in a classroom environment. Here L&T-ites overcome obstacles, and learn to 'team up and triumph'.

"We could dream, and we did so, but we never imagined we'd become so big. It's thanks to many people. And in L&T, they are just getting better and better. I am really proud of them."

- Henning Holck-Larsen

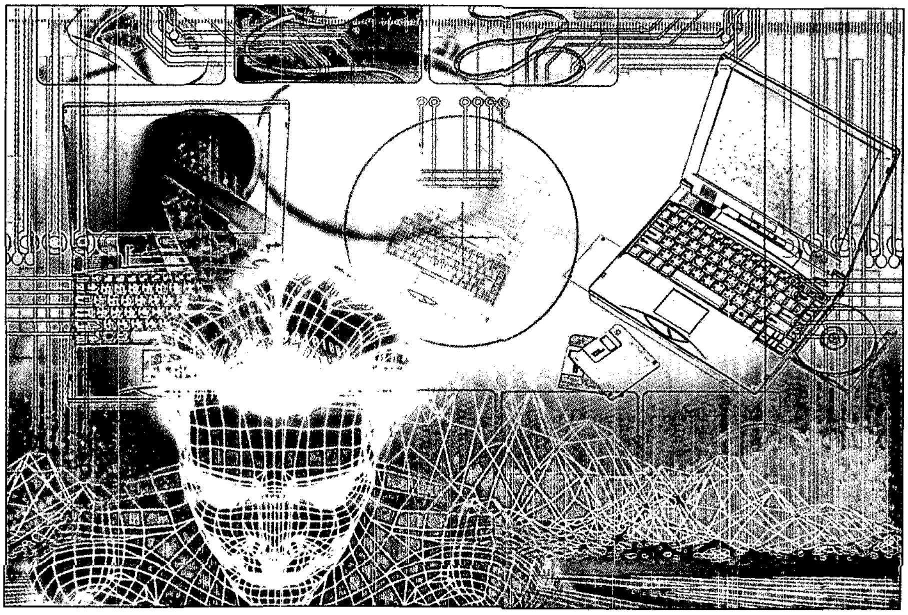
made to align these to competency needs and enlarge the range of offerings. In consultation with IIMs, L&T has redesigned its Management Development programmes to suit current business needs. Last year, L&T had started an e-learning portal called ATL – Any Time Learning.

Leadership Development

No plan can be successful without adequate and appropriate leadership. This is even more critical considering the current talent shortage. To achieve our aspirations, especially in the longer term, L&T has initiated a structured leadership development program to develop leaders – more, better, faster for not only meeting near-term challenges but also for creating a pool of leaders to take on larger responsibilities in future.

If people are critical in the present scheme of things, they will have an even more vital role in the future as L&T accelerates its knowledge thrust. Tomorrow, the bar is going to be raised higher, the canvas of opportunity will grow wider and the demands more daunting. But L&T is confident that its talent will triumph. And we will redeem our pledge. As the Company's anthem puts it: *'Jiski mitti se paida huay hum, karz hum us zameen ka chukaye'.*

Moulding the leaders of tomorrow through specially designed development programmes.



Design & Engineering

Design is the art of weaving wonder into workable solutions.

Design conceives the answers that manufacturing will deliver. But before the answers there are questions to be asked. 'What if', 'why not', 'how to', and most importantly, 'how better'... this is the everyday idiom of engineers at L&T's Technology Centres, R&D labs and design facilities. They question the status quo, look further, dream bigger... and then proceed to engineer their dreams into reality. After all, that is what Imagineering is all about.

And we have a glorious history of asking the questions that matter. Company lore has it that decades ago when internal discussions raged on whether L&T should engage itself in the manufacture of nuclear power plant equipment, Holck-Larsen settled the debate with a simple but rhetorical question: "If not L&T, who else (can make it)?" That is the mantle of the pioneer. That is the road we have chosen to follow.

L&T has critical engineering and design capabilities in each of its major businesses. In fact, engineering and the capability to leverage advanced technology constitute a key differential in L&T's offerings across all its businesses.

In the business segment of projects for the hydrocarbon and power sector, the Technology Centre at Mumbai focuses on high end technology applications and evaluation. The Centre offers advanced engineering services such as process simulation, process design, mechanical design by analysis, failure analysis and trouble shooting.

L&T also has resources for Process Engineering – including simulation, equipment design, P&ID development, column check-rating, pre-commissioning activities, plant start-up, commissioning, performance guarantees and trouble shooting.

Thermal Engineering

L&T's R&D Centre has expertise in thermal design of specialized heat exchangers serving as heaters, coolers, condensers, reboilers, feed water heaters, waste heat boilers and other high-pressure heat exchangers. This is backed by Computational Fluid Dynamics (CFD) for flow-related analysis and pinch analysis.

Mechanical Technologies & Analytical Engineering

Cutting edge mechanical technologies and application engineering relate to rotor dynamics, production engineering, CFD analysis, stress analysis, piping and structural analysis.

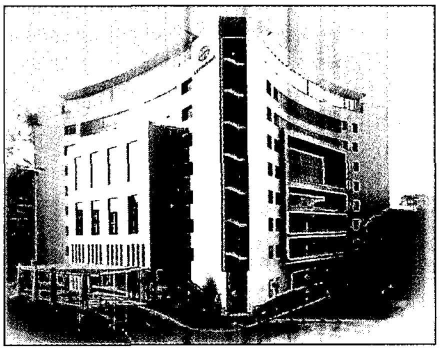
Engineering Services

L&T's Engineering Centres at Faridabad, Mumbai, Vadodara and Sharjah provide value-added, integrated engineering services to hydrocarbon upstream, midstream and downstream sectors.

Joint venture companies provide engineering services for different sectors, viz. L&T-Valdel Engineering Limited for upstream hydrocarbon, L&T-Chiyoda Limited for mid and downstream hydrocarbon, L&T-Ramboll Consulting Engineering Limited for transportation infrastructure and L&T-Sargent & Lundy Limited for power.

Construction

L&T has repeatedly proved that it is a mistake to assume that infrastructure is a sector that cannot assimilate advanced



One of many nerve centres of design — L&T's new Design Engineering centre at Powai, Mumbai.

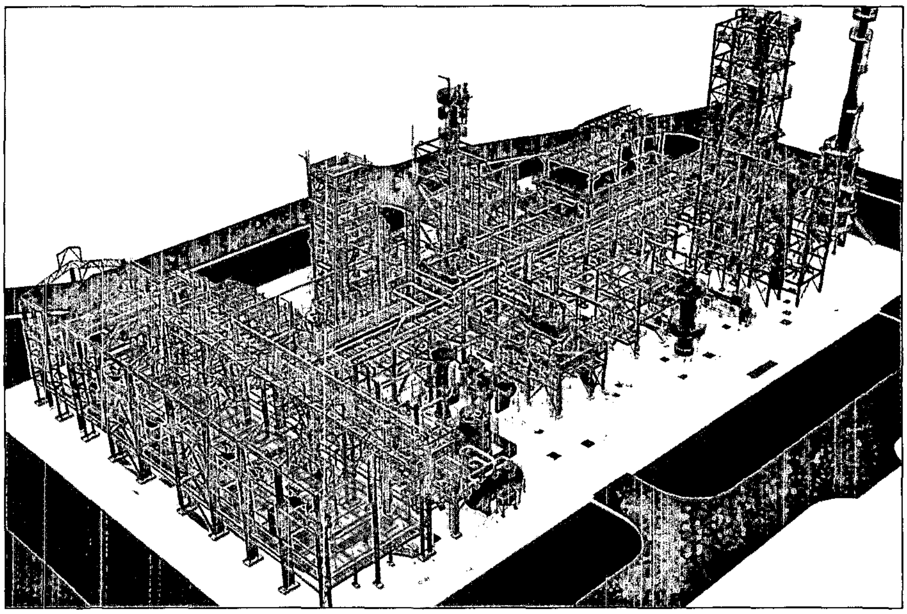
technology. If the infrastructure projects built by L&T inevitably rank among the finest in the land, it is because they are projects that have seen the infusion of technology. That is how smoother highways are built, how viaducts scale greater heights, how industrial structures surpass conventional limits of scale and how projects can be executed to stringent time schedules. The engineering services provided by L&T's Engineering Design Research Centres at Chennai and Kolkata include feasibility studies, project reports, system engineering, architectural, structural and civil design. The cable-stayed bridge built by L&T's Construction Division in Jordan illustrates the Company's ability to build bridges of various types and in different span ranges.

Equipment Manufacturing

Design & engineering strengths in the sphere of manufacturing constitute a major competitive advantage for L&T. The Company has dedicated engineering centres at each of the manufacturing locations of process plant equipment and defence related equipment. Two Technology Development Centres have been set up, tasked with development of new products and of new manufacturing technologies. L&T also has collaboration agreements with the Indian Space Research Organization as well as other niche players to bolster its capabilities in the strategic sectors of aerospace, defence and nuclear power.

L&T's rich technology base secures widespread public recognition as it successfully manufactures equipment that set bold new precedents. Recently, for instance, L&T manufactured one of the world's largest FCC regenerators, with an internal diameter of 16.3 metres and weight of over 1320 tonnes. Earlier, L&T engineers had also manufactured the world's largest reactors in the metal composition of Chrome Molybdenum Vanadium.

In the mining sector, L&T's R&D engineers have successfully developed an indigenous model of the surface miner



Pixels on screen - the first step to a plant at site.

"Innovation is the ability to see change as an opportunity - not a threat"

with enhanced aesthetics and superior ergonomics.

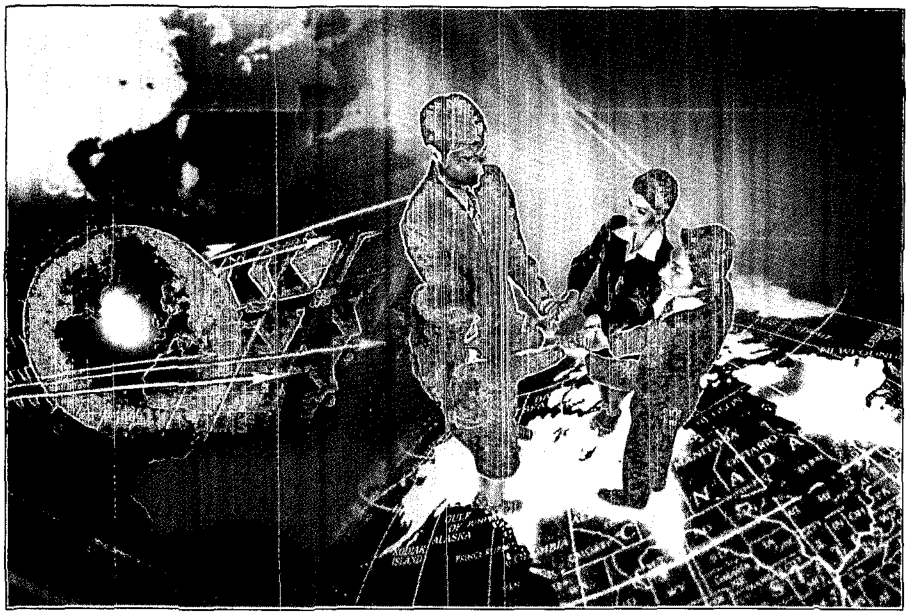
One of the key factors that has enabled L&T's electrical and automation businesses to acquire and retain leadership position is its design and engineering capability. At L&T, the evolutionary journey of design begins not in the R&D lab, but in the customer's work environment. Tools such as Quality Function Deployment (QFD) are used to capture the voice of customers. Other sophisticated software used to accelerate the process of design and enhance accuracy levels include Conjoint Analysis, Design for Six Sigma (DFSS), Failure Mode Effect Analysis (FMEA).

Processes like Technology & Product Portfolio Planning (ETPP) help arrive at the right portfolio for meeting future implicit needs of customers and Electrical & Electronics Division's (EBG) New Product Development System (EPDS), a stage-gate process guides the development of right quality product in the shortest possible time.

Technology Services

In the technology services space, L&T provides its global client base the winning edge through development of optimal solutions. L&T's e-engineering services leverage the Company's own engineering pedigree and experience. The Embedded Systems unit provides technological assistance across a broad spectrum - design, maintenance, re-engineering, testing, prototyping and industrial design.

In every sphere of L&T's operations, technology will continue to be a key enabler, reinforcing its leadership position and sustaining its competitive strengths in industry .



International Operations

L&T's engineering and construction expertise carries the Indian Tricolour to distant lands

Sound business logic blends with a surge of patriotic sentiment in driving L&T's business overseas, and determining its volumes. Spreading one's operations across geographies has as much practical wisdom as the old aphorism of not putting all one's eggs in one basket. Every country is subjected to cyclical swings – and India can be no exception. Geographical dispersion is, therefore, a de-risking exercise that allows a company to take advantage of the 'highs' in a country's (or region's) economy while avoiding the inevitable 'lows'.

But, while doing business outside the country is important, doing business within India remains paramount. Everything else can be changed, adapted or modified, but our larger engagement with India will remain inviolate. Our goal is not to become just another multinational. It is, as our Vision Statement clearly says, to become an Indian multinational.

L&T's revenue from international business is over 16 per cent and the goal is to take it to 25 per cent over the next few years.

Apart from the revenues, international business also has a spin-off benefit on domestic operations. It precipitates a change of operational culture, since in order to remain globally competitive, every activity of the Company needs to be benchmarked against the best in the world.

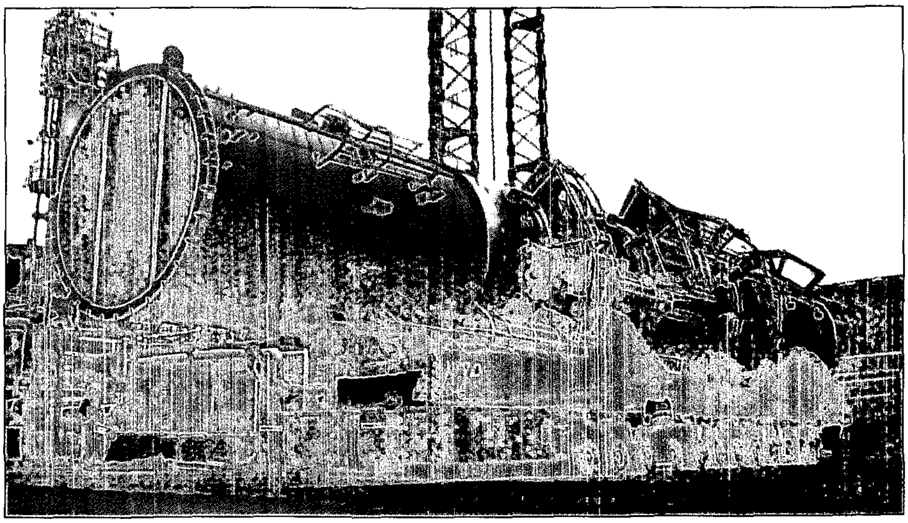
Over the last couple of years, L&T has become the flag bearer of India Inc. in the high tech manufacturing space. The Company's heavy engineering division has designed, manufactured and supplied high tech equipment to over 30 countries. This includes countries in what is traditionally referred to as 'the developed world' (given India's recent advances, perhaps the term itself merits review and revision!). Projects in the US, Canada, UK, France, Australia and China – all have systems and equipment supplied by L&T.

L&T's Electrical & Automation business took another decisive step towards internationalizing the Company's operations through the acquisition of Tamco - a Malaysia-based company engaged in medium voltage switchgear. Apart from complementing L&T's existing capabilities in low voltage switchgear, this acquisition gives L&T a manufacturing footprint in Malaysia, Indonesia, China and Australia. It also provides fresh access to markets in the South East Asia and Middle East regions.

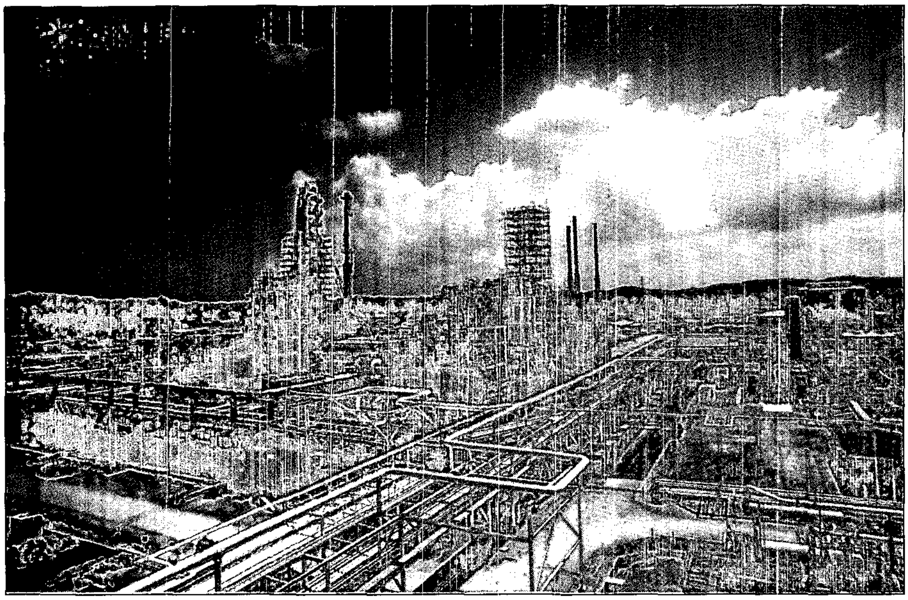
L&T's focus areas continue to be the Middle East and China.

Middle East

In keeping with its tradition of simultaneously developing local resources while meeting its business



An ultra low sulphur diesel reactor - made in India... and delivered to Canada.



A lube oil process plant built by L&T in Malaysia

objectives, L&T has invested in workmen training in Oman. A workers' training institute at Sohar, Oman, will turn out the technicians of the future. They will be highly skilled and strongly motivated, and will carry with them L&T's distinctive stamp of excellence.

The real voyage of discovery lies not in seeking new landscapes, but in having new eyes

L&T has built a strong local presence in various GCC countries by forming joint venture companies with local partners and has, thereby, demonstrated its long term commitment to the region. Turnkey projects cover the hydrocarbon (upstream, midstream, downstream), power (generation, transmission and distribution) and cement sectors, as well as civil and infrastructure projects.

L&T has established state-of-the-art fabrication facilities for the manufacture of modular structures, jackets and offshore oil & gas platforms at Sohar, Oman. This facility will provide L&T with significant logistic advantages in meeting the needs of the many upstream oil and gas projects that are expected to come up in the Gulf. L&T has also entered into a joint venture agreement to establish a green field plant at an adjacent location to manufacture equipment for refineries, petrochemicals and fertilizer projects & other process industries.

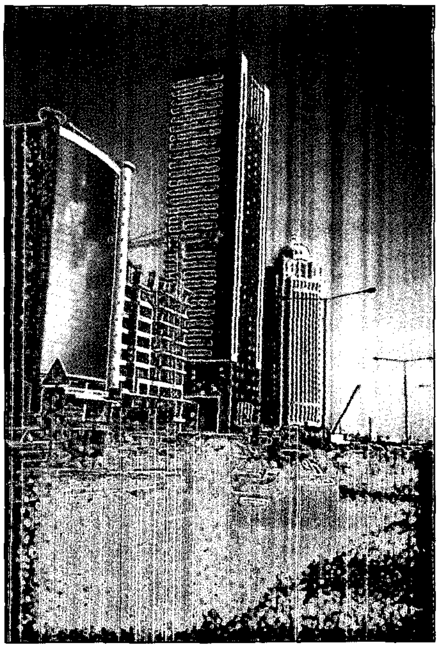
A switchboard manufacturing facility was inaugurated in Saudi Arabia for power and motor control systems. Design engineering centres have also been set up in the UAE for hydrocarbon and infrastructure sectors. In addition, L&T offers information technology related services, and has made a breakthrough in providing IT services to clients such as Aramco, Qatar Petroleum, etc.

China

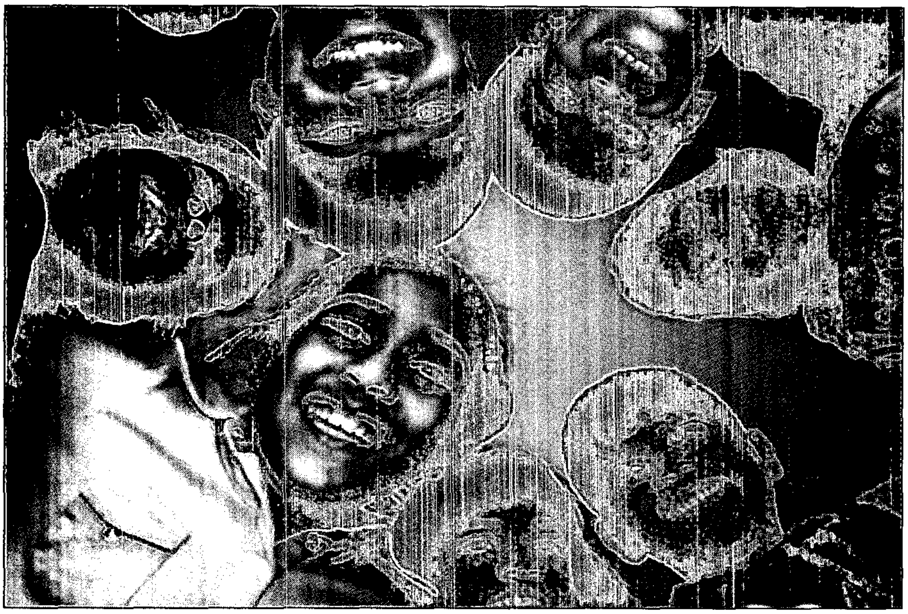
L&T views China as a market, a manufacturing base, a sourcing base for the Indian market and a possible source for exports to third countries.

Manufacturing operations for high end switchgear, industrial valves and tyre moulding presses meet demands in both the domestic and international markets. The plants are of internationals standards and have already been approved by L&T's global customers. L&T is also augmenting its resources in sourcing of materials and components from China and is working on developing more value added parts and assemblies for imports.

L&T is visibly intensifying its efforts to establish a presence and build a brand in its focussed geographies. Every such successful initiative enables the Company to get closer to achieving its vision of becoming a true Indian multinational.



L&T's construction expertise is helping to sketch a new slyline in Doha, Qatar.



Corporate Social Responsibility

'Give a man a fish, and you have fed him for a day. Teach him to fish, and you feed him for a lifetime.'

Beyond the balance sheet lies another story of L&T's achievements. And that is because beyond the country's accelerated economic growth indices lies another India. This is an India that moves haltingly from an unhappy past to an unwelcoming future, an India whose native talent goes a begging for want of opportunity. It's an India populated by men, women and children who witness from afar the miracle of economic transformation but seem never privileged enough to participate in it. It is this 'other India' to which L&T also remains committed.

L&T is conscious of the fact that while striving for profitable growth, it must assume the larger responsibility of being responsive to the society we live in. L&T believes that sustainable development initiatives are those which are targeted towards meeting the needs of the present without compromising the ability of the future generations to meet their own needs.

In the year under review, L&T supplemented its CSR activities through special initiatives in homage to co-founder Henning Holck-Larsen, whose birth centenary was celebrated companywide.

Health

L&T brings healthcare within the reach of the underprivileged. Medical and para-medical professionals use state-of-the-art equipment at L&T's welfare centres and factories to prevent, diagnose and cure disease. Services include skin treatment, TB consultation, leprosy diagnosis and treatment, ultrasound facilities, ante-natal care, dental treatment, eye care and cataract referrals for the aged, yoga for women, well-women clinic, psychiatry and counseling. Immunisation drives play a crucial role in preventing disease. Mobile health clinics extend the reach of L&T's health services.

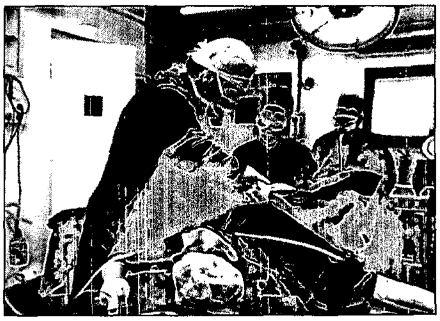
A priority is mother-and-child care. Extending the reach of these services, seven new centres were opened in Mumbai during 2007-08. Countrywide, around two hundred health camps targeted specific diseases and specific groups. Health services were provided to the children through regular health camps. More than 14000 children underwent eye screening in a special project at Coimbatore. 1630 family planning operations were conducted through family planning camps in Surat and for tribal population in Ahwa Dangs in Gujarat. Of these, 886 were vasectomies.

HIV/AIDS awareness, care & support continue to be a thrust area. L&T regularly organises HIV/AIDS awareness and counseling camps for mobile populations like migrant workers at construction sites. L&T contributes to improving healthcare, education, safety and to the welfare & development of the L&T family and community in which it operates.

Education

When they enter L&T's skill training centres, they are school dropouts and unemployed youths. When they come out, they are professionals who have found their future. L&T's skill training centres are engines of social change. Even more importantly, skill training is somewhat of a life transforming experience – giving youth self-belief and helping them win back the respect of very society which had considered them misfits.

The Larsen & Toubro Public Charitable Trust conducts skill training at Mumbai, Lonavala, Aurangabad, Latur and Kharel.



Family planning - part of the wide range of L&T's health initiatives.

In addition, L&T runs Construction Skills Training Institutes at Ahmedabad, Bangalore, Chennai, Delhi and Panvel.

These are the bricks that will build the mansion where the future citizens of our country will reside ... small but significant steps in building the India of our dreams.

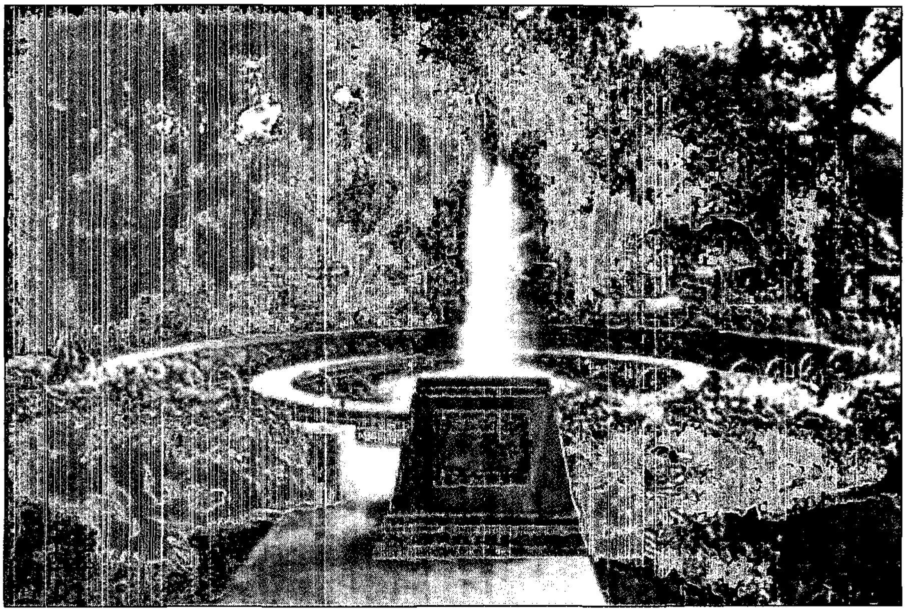
Environment

'We do not inherit the earth from our ancestors, we borrow it from our children.'

Children log on to the future on computers donated by L&T.

L&T undertakes massive tree plantation drives. Around 50,000 trees were planted during the year under review. In rural areas, L&T has helped with conservation methods such as tube wells and solar lighting. L&T maintains urban gardens and lawns. To spread the message of conservation, L&T organises awareness camps for children and youth. Six check dams constructed by L&T Public Charitable Trust in the tribal belt of Dahanu have helped in re-charging the wells and cultivation of cash crops by the tribal farmers.

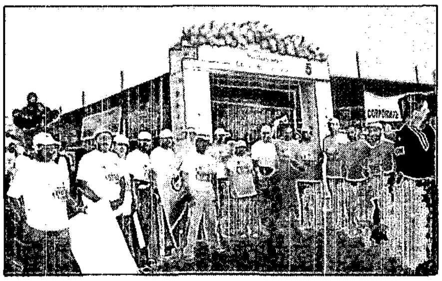
Identifying energy as a key natural resource, L&T has taken initiatives at manufacturing locations to reduce the consumption of energy and promote the use of renewable energy. These include solar water heating systems at its canteens, solar-powered photo-voltaic cells for street lightings and traffic signals. For instance, L&T is meeting approximately 60% of its electricity requirements of Powai (west) campus through wind energy.



A slice of green in the concrete jungle - garden maintained by L&T in Mumbai.

Volunteering & Partnering

'Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has.'



Enthusiastic 'L&T-eers' participate for a charitable cause in the Mumbai Marathon.

The L&T-ite's spirit of selfless giving is channelised into a plethora of social causes. L&T-ites and their spouses (in 22 'ladies clubs' countrywide) consistently supplement the company's CSR activities by volunteering their personal time, talent and resources for the uplift of the underprivileged. These 'L&Teers', structured into groups at each location, conduct evening classes in schools, undertake tree-plantation drives, visit orphanages and old-age homes, organise collection of toys and clothes, and donate blood. On July 4, 2007, 14389 units were donated in a single day!

As a responsible corporate, L&T has constantly pursued businesses that will activate higher growth and promote sustainable development. This has been and will continue to be one of its guiding principles. L&T firmly believes that its social welfare commitments will nurture its future growth endeavours.

"We have a responsibility to look after our planet. It is our only home."

Directors' Report

The Directors have pleasure in presenting their Annual Report and Accounts for the year ended March 31, 2008.

FINANCIAL RESULTS

	2007-2008 Rs. crore	*2006-2007 Rs. crore*
Profit before depreciation and tax	3,367.07	*2,174.90*
Less : Depreciation and amortisation	213.63	*171.45*
	3,153.44	*2,003.45*
Add : Transfer from Revaluation reserve	2.03	*1.44*
Profit before Tax	3,155.47	*2,004.89*
Less : Provision for taxes	982.05	*601.87*
Profit after Tax	2,173.42	*1,403.02*
Add : Balance brought forward from previous year	78.24	*55.70*
Less : Dividend paid for the previous year (including dividend distribution tax)	0.77	*6.40*
Less : Operating result of acquired entity for previous year (net of tax)	-	*2.49*
Balance available for disposal which the directors appropriate as follows:	2,250.89	*1,449.83*
Interim Dividend	56.83	*311.60*
Proposed Final Dividend	438.49	*56.65*
Dividend Tax	76.26	*53.34*
General Reserve	1,575.00	*950.00*
	2,146.58	*1,371.59*
Balance to be carried forward	104.31	*78.24*
Dividend :		
The Directors recommend payment of final dividend of Rs. 15/- per equity share of Rs. 2/- each on 29,23,27,390 shares in addition to the interim dividend of Rs. 2/- per share declared by the Board of Directors on July 3, 2007	438.49	*56.65*

YEAR IN RETROSPECT

The gross sales, other income and interest income for the financial year under review were Rs.25,863 crore as against Rs.18,423 crore for the previous financial year registering an increase of 40%. The Profit before tax (after interest and depreciation charges) of Rs.3,155 crore and the Profit after tax of Rs.2,173 crore for the financial year under review as against Rs.2,005 crore and Rs.1,403 crore respectively for the previous financial year, improved by 57% and 55% respectively.

DISPOSAL OF READY MIX CONCRETE BUSINESS

Approval of the shareholders as required by Section 293(1)(a) of the Companies Act, 1956 was obtained on February 6, 2008 through Postal Ballot conducted in accordance with Section 192A of the said Act, read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, to dispose of the Ready Mix Concrete (RMC) business unit of the Company. The result of the Postal Ballot was widely published in the newspapers, besides Stock Exchange websites etc.

On May 14, 2008, the Company entered into a definitive agreement for sale of RMC business to Lafarge Aggregates & Concrete India Private Limited for an enterprise value of Rs.1,480 crore. The financial effect of this sale will be given in the year 2008-2009, on conclusion of the transaction.

DIVIDEND

The Directors recommend payment of final dividend of Rs.15/- per equity share of Rs.2/- each, which together with the Interim Dividend of Rs.2/- per equity share declared on July 3, 2007 works out to Rs.17/- per equity share for the year under review.

Shares that may be allotted on exercise of Options granted under the Employee Stock Option Schemes before the Book Closure for payment of dividend will rank *pari passu* with the existing shares and be entitled to receive the final dividend.

DEPOSITORY SYSTEM

As the members are aware, the Company's shares are compulsorily tradable in electronic form. As on March 31, 2008, almost 96% of the Company's total paid-up capital representing 28,00,29,889 shares were in dematerialised form. In view of the numerous advantages offered by the Depository system, members holding shares in physical mode are advised to avail of the facility of dematerialisation on either of the Depositories.

CAPITAL & FINANCE

During the year under review, the Company allotted 15,00,901 equity shares upon exercise of stock options by the eligible employees under the Employee Stock Option Schemes.

The Company further allotted 35,55,741 underlying equity shares in respect of Global Depository Receipts issued upon conversion of 1,146 Bonds (value JPY 11.46 bn) out of JPY 11.57 billion Zero Coupon Foreign Currency Convertible Bonds (due 2011) issued in January 2006.

The Company issued and allotted 40 lakh Global Depository Shares (GDS) at USD 100 each representing an equal number of equity shares of Rs. 2/- each.

During the year under review, the Company tied up foreign currency long term loans aggregating to USD 390 million to finance ongoing capital expenditure, investment in overseas subsidiaries and overseas acquisitions. The loans have tenors of 5, 7 and 10 years.

The Company has repaid rupee loans of Rs. 27 crore during the year.

CAPITAL EXPENDITURE

As at March 31, 2008, the gross fixed and intangible assets, including leased assets, stood at Rs. 4,935.02 crore and the net fixed and intangible assets, including leased assets, at Rs. 3,645.44 crore. Additions during the year amounted to Rs. 1,647.20 crore.

DEPOSITS

123 Deposits totalling Rs. 0.12 crore which were due for repayment on or before March 31, 2008 were not claimed by the depositors on that date. As on the date of this report, deposits aggregating to Rs. 0.01 crore thereof have been claimed and paid.

TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

During the year, the Company has transferred a sum of Rs. 75,09,779/- to Investor Education & Protection Fund (IEPF), the amount which was due & payable and remained unclaimed and unpaid for a period of seven years, as provided in Section 205C(2) of the Companies Act, 1956. Despite the reminder letters sent to each shareholder, this amount remained unclaimed and hence transferred. Cumulatively, the amount transferred to IEPF as on March 31, 2008 was Rs.5,86,37,943/-.

SUBSIDIARY COMPANIES

During the year under review, the Company subscribed to the following equity shares in various Subsidiary Companies:

- 6,25,00,000 equity shares of Rs. 10/- each in L&T Finance Limited at a premium of Rs. 30/- per share.
- 564 equity shares of Dhs. 550,500 each in Larsen & Toubro International FZE for Rs. 336.39 crore at par.
- 1,04,51,000 equity shares of Rs. 10/- each in L&T Power Projects Limited at par.
- 21,626 equity shares of Rs. 10,000/- each in International Seaport Dredging Limited at par.
- 25,70,00,000 equity shares of Rs. 10/- each in L&T Infrastructure Finance Company Limited at par.
- 5,89,500 equity shares of Rs. 10/- each in L&T-Valdel Engineering Limited for a consideration of Rs. 16,19,99,725/- (acquired from the joint venture partner).
- 2,90,00,000 equity shares of Rs. 10/- each in L&T Power Development Limited at par.
- 10,000 equity shares of Rs. 10/- each in L&T Infra & Property Development Private Limited at par.
- 4,71,60,700 equity shares of Rs. 10/- each in L&T Realty Private Limited at par.
- 10,000 equity shares of Rs. 10/- each in L&T Concrete Private Limited at par.
- 50,000 equity shares of Rs. 10/- each in L&T Shipbuilding Limited at par.
- 50,000 equity shares of Rs. 10/- each in L&T Strategic Management Limited at par.
- 10,000 equity shares of Rs. 10/- each in L&T-Gulf Private Limited at par.
- 10,000 equity shares of Rs. 10/- each in L&T Transco Private Limited at par.
- 50,000 equity shares of Rs. 10/- each in Hi-Tech Rock Products & Aggregates Limited at par.

The Company paid the first call of Rs. 90/- per share (including premium of Rs. 89/-) on 22,50,000 equity shares of Larsen & Toubro Infotech Limited aggregating to Rs. 20,25,00,000/-. (Total paid up value per share is Rs. 3.20 at a premium of Rs. 322.355 per share).

The Company sold its 10% stake in International Seaport Dredging Limited to Dredging International India Private Limited. Accordingly, 1,410 equity shares were sold at a consideration of Rs. 1,51,00,521/- and 1,847 preference shares were sold at par for Rs. 1,84,70,000/-.

The Company also divested its 51% stake in HPL Cogeneration Limited. Accordingly 3,12,12,000 equity shares and 3,12,12,000 preference shares were sold for a consideration of Rs. 1,49,65,57,058/-.

The statement pursuant to Section 212 of the Companies Act, 1956, containing details of subsidiaries of the Company, forms part of the Annual Report.

AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualification.

DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is provided in Annexure 'A' forming part of this Report.

OTHER DISCLOSURES

The Company has disclosed in the notes forming part of accounts the quantitative details in respect of sales, raw materials and components consumed and inventories as required vide sub-paras 3(i)(a), 3(ii)(a)(1) and (2) and 3(ii)(b) of Part II of Schedule VI of the Companies Act, 1956.

The Central Government, vide its order No. 46/61/2008-CL-III dated May 16, 2008 has granted exemption to the Company for the financial year ended on March 31, 2008 in respect of disclosure of the above mentioned quantitative details where the values of the individual items in each category are less than 10% of the total value of the category.

The disclosures required to be made under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, together with a certificate obtained from the Statutory Auditors, confirming compliance, is provided in Annexure 'B' forming part of this Report.

Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges, a Report on Corporate Governance and a certificate obtained from the Statutory Auditors confirming compliance, is provided in Annexure 'C' forming part of this Report.

PERSONNEL

The Board of Directors wishes to express their appreciation to all the employees for their outstanding contribution to the operations of the Company during the year. The information required under Section 217(2A) of the Companies Act, 1956 and the Rules made thereunder, is provided in the Annexure forming part of the Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any Shareholder interested in obtaining copy of the same may write to the Company Secretary at the Registered Office. None of the employees listed in the said Annexure is related to any Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;

ii. that the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of the profits of the Company for the year ended on that date;

iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv. that the annual accounts have been prepared on a going concern basis.

DIRECTORS

The Company received a letter dated October 8, 2007 from the Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI) withdrawing the nomination of Mr. S. Rajgopal from the Board of the Company. Mr. S. Rajgopal was however appointed as an Independent Director at the meeting of the Board of Directors held on October 26, 2007. Mr. K. G. Ramachandran who was appointed as the Director in place of Mr. S. Rajgopal, ceased to be a Director with effect from December 22, 2007.

Mr. Subodh Bhargava was appointed as an Additional Director on July 3, 2007 and the appointed by the shareholders in the Annual General Meeting held on August 24, 2007.

Mr. B. P. Deshmukh resigned on May 15, 2007 from the Board consequent to the withdrawal of his nomination by the General Insurance Corporation of India. Mrs. Bhagyam Ramani was appointed on July 19, 2007 to represent the equity interest of the General Insurance Corporation of India and to fill the casual vacancy caused by the resignation of Mr. B. P. Deshmukh.

Lt. Gen. Surinder Nath PVSM, AVSM (Retd.) and Mr. U. Sundararajan ceased to be Directors from August 24, 2007.

Mr. N. Mohan Raj who was appointed on May 29, 2007 in the casual vacancy caused by the resignation of Mr. Kranti Sinha, holds office upto the date of the forthcoming Annual General Meeting and is eligible for re-appointment.

Mr. A. K. Jain was appointed as an Additional Director on May 29, 2008 to represent the equity interest of SUUTI.

Mr. J. P. Nayak, Mr. Y. M. Deosthalee, Mr. M. M. Chitale and Mr. K. Venkataramanan retire from the Board by rotation and are eligible for re-appointment at the forthcoming Annual General Meeting. The Notice convening the Annual General Meeting includes the proposals for re-appointment of Directors.

CONSOLIDATED FINANCIAL STATEMENTS

Your Directors have pleasure in attaching the Consolidated Financial Statements pursuant to Clause 32 of the Listing Agreement entered into with the Stock Exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, in this regard.

The Auditors' Report to the Shareholders does not contain any qualification.

AUDITORS

The Auditors, M/s. Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank the Financial Institutions, Banks, Central and State Government authorities, Regulatory authorities, Stock Exchanges and the stakeholders for their continued co-operation and support to the Company. Your Directors also wish to record their appreciation for the continued co-operation and support received from the Subsidiary Companies/Joint Venture partners/Associates.

For and on behalf of the Board

A.M. Naik
Chairman & Managing Director

Mumbai, May 29, 2008

The Company has since received from Central Government exemption under Section 212 vide letter no. 47/263/2008-CL-III dated May 30, 2008. Accordingly the Audited Statement of Accounts, the Reports of the Board of Directors and Auditors of the Subsidiary companies are not annexed as required under Section 212(8) of the Companies Act, 1956. Shareholders who wish to have a copy of the full report and accounts of the subsidiaries will be provided the same on receipt of a written request from them. These documents will be put up on the Company's Website viz. www.larsentoubro.com and will also be available for inspection by any shareholder at the Registered Office of the Company on any working day during business hours.

Annexure 'A' to the Directors' Report

(Additional information given in terms of notification issued by the Ministry of Corporate Affairs)

[A] CONSERVATION OF ENERGY:

(a) Energy Conservation measures taken:

1 Improving energy effectiveness/efficiency of Equipment and Systems

- Modification of Portable electrical ovens with digital temperature controller to reduce power consumption.
- Installation of fibre sheet to improve daylight in workshops.
- Installation of electro miser energy saving devices in shops.
- Installation of programmable timer to switch off lights after second shift.
- Optimum use of compressor by way of regular check for air leakages and shutting down one compressor during low demand periods.
- Installed human sensors in break-out area for auto switch on/off.
- Use of photo-sensing device to make use of daylight in place of overhead lights.
- Switching off lights and fans in unoccupied areas, putting number stickers for ease of identification of switches and light fittings in office.
- Use of energy efficient tubelights.
- Replaced Conventional type welding rectifiers with inverter based welding rectifiers model to provide for substantial reduction in power consumption.
- Introduced additional capacitors at the machine end in the distribution system to maintain the power factor healthy.
- Introduced energy efficient Compact Fluorescent Lamp (CFL) fitting for newly constructed offices providing a pleasant look for eyes and power saving.
- Provided sodium vapour lamps in place of halogen fittings which reduces heat and power consumption.
- Installed new sub-station for catering the growing demand of power for painting and other open yard. By installing the new sub-station the cost associated with diesel generating set running and maintenance has been substantially reduced.
- Replacement of 400W MV lamps with 250W Metal Halide lamps in Machine & Assembly shop.
- Replacement of conventional Fluorescent Tube Light (FTL)
- Fitting mirror optics FTL having electronics ballast in P&IR office.
- Replacement of 60W GLS (incandescent lamp) with 20/23W CFL in residential premises & transit houses.
- Replacements of conventional pump with energy efficient pump in water treatment plant (135HP pump motor replaced with 120HP pump motor).
- CNC Retrofitting of Vertical Lathe (2 nos.), enhancing productivity resulting in reduction of process time & power consumption.
- Replacement of old conventional sand reclamation & moulding plant (batch mixing) with compact energy efficient PLC based system with continuous sand mixer.
- Use of TFT monitor with auto switch in offices.
- Monitoring closely high energy consuming equipment.
- Green power generation through roof installed grid connect solar power plant of 500kwp capacity.
- Installation of dusk to dawn solar powered street lights saving power.
- Installed solar water heating system of 1500 litres capacity.
- Zone controlled AC.

2 Improving energy effectiveness/efficiency of Manufacturing Processes

- Automatic generation of manufacturing drawing for Screw Plug Exchangers using high end 3D software thus reducing the cycle time effectively.
- Installation of A.C. drives for EOT crane motors to improve efficiency of the motor.
- Introduction of high-tech inverter based power source for Submerged Arc Welding Machines resulting in reduction of power consumption.
- Installed new air solenoid valves in the air line to control the excess quantity of air in the combustion thus resulting in 10% saving in the PNG consumption.
- Replacement of Chuck drives with the latest energy efficient drives.
- Replaced the preheating burners with new designated S T 5 burners resulting in reduction of Gas consumption.
- Replacement of old Welding Generators and Rectifiers with new high efficiency welding generators.

- Switching of DG set option to UPS for providing uninterrupted power for tube to tube sheet welding and saving in diesel.
- Introduction of full wave in place of half wave welding resulting in energy saving.
- Installation of new energy efficient AC window units having screw compressor compared to earlier reciprocating units.
- Installation of variable frequency drive for EPC AC plant, Air Handling Units resulting in energy savings.
- Replacement of DC drives with AC drives for Welding Positioners to reduce energy consumption.
- Replacement of AC plant reciprocating type with a more efficient Screw Chiller AC plant.
- Introduction of VVVF Drives for all the rotators in SAW Machines and machine shop equipment like EOT's and Gantry's for Long travel movement, Hoist, CT and LT. VVVF provides Maintenance free operation and reduction in requirement of spares.
- Focusing more towards CNC Machines in our workshop and procured CNC Plasma cutting machine and rolling machine, CNC Drilling machine and CNC Horizontal boring machine.
- Installation of Variable Frequency Drive (VFD) for exhaust fans of Plating Shop.
- Installation of 'Control Air System' from Godrej to improve air compressor efficiency thereby saving substantial electrical energy.
- Introduction of Inverter Based Arc Welding M/cs – (Fronious Make).
- Introduced Lighting Circuit Energy Savers.
- Optimisation of Centralised Dust Collection systems.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

- Use of energy saving type of lighting arrangements (LED based, metal halide, etc.) in shop floor and on roads inside factory.
- Introduce VFD for Forced Draft Ventilation System fresh air fans.
- Procurement of additional Inverter based welding machines instead of rectifiers for shops.
- Exploring use of Solar AC.
- Exploring use of Wind Power solutions.
- Replacement of 5T ARC furnace with energy efficient medium frequency induction furnace of 4T capacity.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

- The measures taken have resulted in savings in cost of production, power consumption and reduction of process time.
- By using inverters in place of rectifiers, power consumption reduced by 30,000 kwh per month.
- By providing VVVF drives in rotators and cranes, breakdown time due to frequent failures of motors and contactors has been reduced by 40%.
- By using capacitors in machine end, achieved better power factor and received PF incentive from Electricity Board to the tune of Rs. 55,400/- for the year.
- By providing new sub station, reduced the utilisation of Diesel generator.

(d) Total Energy Consumption and Energy Consumption per unit of production as per Form A in respect of industries specified in the Schedule:

- NOT APPLICABLE

[B] TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form B.

FORM B

(Disclosure of particulars with respect to Technology Absorption)

RESEARCH AND DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company:

- Development of Tracking radar for ISRO.
- Development of VME64x IO cards for Defence applications.
- Development of Fire Control Systems for missiles.
- Development of All Terrain Rugged Controllers and Low voltage Motor Drives for land based Weapon Launchers.
- Development of mobile masts for surveillance radar.
- Development of stabilized platform for Naval surveillance radar.
- Research in simulation of stabilizer dynamics in cavitating and non-cavitating regimes.
- Designed and developed Plate Stretcher for manufacturing aerospace grade aluminium.
- Newly established deep-space network ground station for Chandrayaan-1 by manufacturing and erection of 32 M DSN Antenna, indigeniously designed and largest in India with stringent quality requirements.
- Design and development of Variable Mach No. Frequency Nozzle (VMFN) with involvement of multi-disclipinary areas such as Aerodynamics, Kinematics, Mechanical Structures, Hydraulics, Computational Fluid Mechanics, Electronic Controls and Automation, etc.
- Development of Micro reactor.
- Design and development of 3 dimensional flow analysis of steam generator for nuclear power plant.
- Design and development for reformed gas boilers for fertilizer.
- Computational modeling for welding processes.
- Development in heat exchanger using novel configuration experimental/pilot plant facility for product development.
- Development of new manufacturing processes for post weld heat treatment.
- Development of new manufacturing processes for polishing machine.
- Development of innovative equipment for integrated drive and resolver gearbox.
- Development of innovative equipment for security equipment deployment system.
- Development of innovative equipment for proof pressure testing.
- Development of innovative equipment for heat treatment of large size equipment.
- Development of innovative equipment for in-situ repair of weld joint.
- Techniques for use of Recycled Aggregates in Pavements.
- Techniques for improving sub-bases for construction of pavements and runways.
- Development of alternate methods of construction of pavements.
- Development of improved methods in formwork material handling.
- Continued Development in self compacting concrete.
- Continued Development in roller compacted concrete.
- Continued Development in plastic concrete.
- Development of a new model of Surface Miner, KSM 303 which is specifically suitable for mining Coal in open cast mines during 2007-2008 and the machine is giving desired output.
- Development of Wheel mounted mobile crushing plant of 200 TPH for crushing aggregate which is used for crushing stone, aggregates and iron ore. The machine is currently under load trial.

- Cement & Mineral Process - Process Design and related aspects of Cement/Mineral projects, Modelling of NOx emission, use of alternative fuels, comminution characteristics of blended cement, modelling and simulation of entrained flow coal gasifiers, refractory engineering for fired heaters and primary reformers.
- Chemical Engineering - Design, analysis and simulation of chemical processes and equipment, with special emphasis on 3-phase separators, fuel gas conditioning skids, fertiliser plant revamp, ammonia and methanol plants.
- Material Science & Corrosion Engineering - Material selection and verification for Oil & Gas projects, refineries and chemical plants, material evaluation, preservation and corrosion protection for critical plant components, analysis of failure mechanisms involving stress corrosion, fatigue fracture, hydrogen embrittlement and corrosion, Studies on characterization and corrosion protection of specific materials, Expert System applications in materials technology.
- Thermal Engineering - Dynamic simulation of combined cycle power plant involving complex thermal - fluid systems, CFD analysis of cement cyclone, burners and fired heater, Design and analysis of thermal systems in refineries and fertiliser plants.
- Rotating Machinery - Acoustic Mapping of Oil & Gas platforms, Development of kiln bearing lubrication system for higher speeds, Modal analysis and experimental verification of girth gear dynamics, String tests for process gas compressors, design and development of cement plant machinery, study on surge phenomena and its control in centrifugal compressors.
- Mechanical Engineering - Development of advanced design/analysis capabilities for equipment and structure in Heavy Lift & Pipe Lay Vessel, design solutions for various products through advanced Finite Element analysis, Piping analysis and engineering support in offshore Oil & Gas applications, Experimental stress analysis of critical products, Capability development in material non-linear analysis and fatigue analysis using FE techniques.
- Ocean Engineering - Design/analysis of crane system for marine vessel, Optimisation of helideck structure, Transportation analysis for offshore jacket and compressor modules based on barge response and hydrostatic stability, Studies on design/analysis of FPSO Topsides, Sub-sea Systems and Jack-up Rigs.
- Water Technologies - Design and specifications for brackish water RO plant, design and specifications for Membrane Bio-Reactor for treated sewage recycling, Studies on RO-based desalination technology, Membrane Bio-Reactors, Thermal Desalination systems and Zero-discharge technologies, Development of laboratory facilities for water/waste water analysis.
- Modeling of heat transfer mechanism for start-up operation of Pyrolysis Reactor.
- Thermal analysis to establish thermal balance for Air Preheater system in process plant.
- Development of advanced composite materials and alternative material solutions for strategic applications.
- Dynamic simulation exercise for complex thermal-fluid systems of combined cycle power plant.
- Development of in-house capability in Computational Fluid Dynamics (CFD) analysis for various equipment and systems.
- Up-gradation of rotary kiln and ball mill designs to meet requirements of higher capacity and increased operating speed.
- Design optimization of girth gear system through Finite Element Analysis and modal testing.
- Development of in-house capability for acoustic mapping of Oil & Gas Platforms.
- Enhancement of crane capacity for marine vessel through innovative analysis.
- Refinement of design code for stiffened panel buckling analysis, duly accepted by API.
- Development of capability for hydrostatic stability analysis in marine applications.
- Successful design/engineering of water treatment systems based on Reverse Osmosis (RO) and Membrane Bio-Reactor technologies.
- Development of Plastic Concrete for dam cut-off walls including design, laboratory field tests and implementation.
- Assesment of load carrying capacity of Driven-cast-in-situ piles through Pile Driveability Analysis (PDA).
- Establishing a realistic set criteria and correlation between the pile capacity during driving and the ultimate pile capacity.
- Development of new method of bored piling for project areas overlain by slag and other bard granular soils.

2. Benefits derived as a result of above R&D:

- Savings in foreign exchange.
- Indigenisation of key products and technologies for radars and consequent opening of avenues into radar business.
- VMFN is the first of its kind and provides innovative way of testing, scale down model of aircrafts, with high strategic importance for India.
- Improvement in speed of construction and construction techniques.
- Conservation of natural resources.
- More models of Surface Miners enables the customer to choose the optimum size of the machine for specific mine condition. The product has excellent export potential. Wheel mounted mobile crushing plant will increase the product range.
- Process design and optimisation of cement plants.
- Refractory solutions for high-temperature equipment in process plants.
- Simulation and optimisation for E&C projects involving refinery, fertiliser and chemical plants.
- Material evaluation/characterisation, selection of alternative materials, preservation and corrosion protection of critical equipment.
- Successful simulation of combined cycle power plant dynamics and design/optimization of various thermals systems.
- Upgradation of cement kiln and ball mill designs, suitable for enhanced production capacity and higher operating speeds.
- Successful diagnosis of rotating machinery problems in various projects through vibration/acoustic analyses.
- Design/analysis of complex structures and piping systems for offshore Oil & Gas applications.
- Development of design/analysis techniques and resources for Deepwater Oil & Gas applications.
- Design solutions for water treatment systems.
- Successful testing/commissioning of plants and equipment in various E&C projects, through multi-disciplinary technology support.
- Development of in-house expertise in high-end engineering analysis (e.g., advanced FEA, CFD, Dynamic Simulation, Acoustic Mapping, Rotor Dynamics, Non-Linear Analysis etc.) and technologies such as composite materials, advanced corrosion control methods and water treatment techniques.
- Technology upgradation both in design and implementation of plastic concrete for dam cut-off walls.
- Optimisation in Driven-Cast-In-Situ pile foundations.
- Optimisation in Driven-Precast pile fondations.

3. **Future Plan of Action:**
   - Development of new/upgraded products in defence equipment.
   - Development of technology for critical equipment of aviation industry.
   - Use of eco-friendly & green products in construction.
   - Promoting suitable techniques for Conservation of natural resources.
   - To develop Road Miller to enhance the quality of road repair work and to reduce the time for repair work.
   - Process technology - coal gasification.
   - Alternative fuels for use in cement plants.
   - Low-NOx Burners.
   - Simulation of Combustion Chamber.
   - Design/simulation of Hydrogen and Ammonia processes.
   - Study on Gas Processing techniques.
   - Study of Synfuels Technology.
   - Capability development in advanced composites technology.
   - Applications of Nano Technology, development of nano-materials and coatings.
   - Application of electrochemical noise method for characterization of Stress Corrosion Cracking (SCC).
   - Carbon-fibre from polymeric fibres.
   - Dynamic Simulation and Performance Analysis of Combined Cycle Power Plants.
   - Technology Analysis of Super Critical Boilers.
   - Thermo-hydraulic design of Once-Through Steam Generator (OTSG).
   - Capability development in machinery design involving Contact Stress problems.
   - Study of acoustic pulsation phenomena in reciprocating compressors.
   - Application of Statistical Energy Analysis (SEA) in machinery noise control.
   - FE analysis of Floating Structures.
   - Design/Analysis of FPSO Topsides.
   - Design/Analysis of Jack-up Rigs and Semi-submersible Drilling Rigs.
   - Design and analysis of Jacket & Deck Installation.
   - Design and Analysis of Sub-sea pipeline installation.
   - Capability development for Pile Drivability analysis.
   - Capability development for motion response analysis of offshore vessels.
   - Design of Membrane Bio Reactors.
   - Thermal Desalination techniques.
   - Recycle, Reuse and Zero-discharge Technologies.
   - Finetune design capability of plastic concrete for dam cut-off walls.
   - Application of Pile Driveability Analysis (PDA) in all future projects.
   - Capability enhancement to increase market share in multi-purpose driven cast-in-situ piling rigs.
   - Develop capability in diaphragm wall construction in rock.
   - Extend implementation of mechanised pile head breaker to all piling sites.
   - Implement automation in driven cast-in-situ piling in all piling equipment.

4. **Expenditure on R&D:**

Rs. crore

		2007-2008	2006-2007
(a)	Capital	6.61	*4.12*
(b)	Recurring	60.64	*51.35*
(c)	Total	67.25	*55.47*
(d)	Total R&D expenditure as a percentage of total turnover	0.27%	*0.31%*

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. **Efforts in brief made towards technology absorption, adaptation and innovation:**
   - High power transmitters for tracking radars were developed.
   - Development of new products and ranges viz:
     - Air Circuit Breakers
     - Moulded Case Circuit Breakers
     - Contactors, Starters, Relays
     - Switch Disconnector Fuse
     - Miniature Circuit Breakers
     - Earth Leakage Current Protection Devices
     - Power Control Centres, Motor Control Centres
     - Patient Monitoring Systems
     - Ultrasound scanners
     - Surgical Diathermy units
     - Electronic programmable tri-vector meters
     - Single and three phase energy meters
     - Petroleum Dispensing Pumps

     These products have been developed with emphasis on:
     - Achieving global acceptance
     - Built-in intelligence, communication capability
     - Aesthetically attractive appearance
     - Features ensuring safety/user friendliness
     - Compact, light weight
     - Energy saving features
     - Environment friendly features
   - Conforming to latest Indian/International standards.
   - Obtained global certifications from reputed institutions like Central Power Research Institute (CPRI) and Electrical Research & Development Association (ERDA) in India, Association of Short-circuit Testing Authorities (ASTA) in UK, US FDA, STQC Certification Services, China Compulsory Certification (CCC) and KEMA in the Netherlands.
   - Marking for Underwriters Laboratories (UL), Canadian Standards Association (CSA) and Conformite Europeens (CE) for global acceptance of products.
   - Technical approval from consultants/customers.
   - Use of Recycled Aggregates in VBRP road section.
   - Implementation of alternate methods of construction in KTRP section.
   - Patent filed on heavy duty rheometer.
   - Construction of curtain wall using plastic concrete at Parbati dam.
   - Automation in construction of mega projects through Modular technology and usage of computer controlled heavy lift facilities.
   - 20 numbers of high capacity - heavy lift cranes with the 'state of the art technology' built in features has been imported to add to the existing fleet of cranes to enhance capability building for construction of ultra mega projects.
   - Super heavy lifts at Malaysian refinery has been successfully accomplished deploying 1000mt capacity heavy lift crane.
   - Development activity is under progress to get as cast micro structure inside a thick walled S. G. Iron casting. This development is being carried out with the help of customer and the raw material supplier.
   - Interaction with external agencies/technology partners for exposure to the latest products/designs, manufacturing technologies, processes, analytical techniques and engineering protocols.
   - Participating in national/international conferences, seminars and exhibitions.
   - Valuation, adaptation and/or modification of imported designs/technologies to suit indigenous requirements, alternative materials/components.
   - Parametric studies involving theoretical models duly validated by experimental studies at in-house laboratories and pilot plants as well as feedback and operating data during commissioning of various plants and machinery.

- Review of patents in relevant technology areas.
- Collaborative efforts with educational/research institutions for technology upgradation.
- Use of state-of-the-art equipment, instrument and software.
- Analysing feedback from users to improve processes and services.
- Operational efficiency enhancement, local vendor development for fabrication and supply of critial wear accessories, organising training of front line staff and site engineers by international experts on Multi-purpose Driven Cast-in-situ piling rigs.
- End-to-end technology transfer/absorption in construction of dam cut-off wall at high altitudes and in extremely difficult subsoil conditions.
- TAM grouting-both drilling and grouting capability in difficult bouldery soils.
- Import and implementation of mechanised pile head breaker.
- Pile splice fabrication using CNC machines.
- Automation in Driven cast in situ piling.
- Specialist geotechnical works for underground Hydrocarbon storage projects including precision horizontal wireline drilling, charging and plugging the water curtain system with bacteria-free water, deep precision drilling for installation of piezometers, borehole deviation and temperature measurements, development indigenous inflattable rubber packer.

2. **Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.:**

- In-house capability to develop tracking radars.
- Import substitution by introducing new products with indigenous technology.
- Expansion of product range and export opportunities.
- Product improvement.
- Increase in know-how within the country.
- Global acceptance.
- Acceptance for branding.
- Technology upgradation.
- Quick response to varied/unique needs of customers.
- Winning national/international awards in recognition of good designs of products and packaging.
- Building up a strong intellectual property base.
- Making products which are user-friendly, eco-friendly and with enhanced safety features.
- Generation of know-how as well as know-why.
- Production of Thick Walled S. G. Castings which are currently imported.
- Successful simulation/optimisation of process design and engineering for various E&C projects (cement, refinery, Oil & Gas, fertiliser and chemical plants).
- Appropriate refractory design for high-temperature applications.
- Successful selection and characterization of materials for critical applications and implementation of suitable preservation/corrosion protection techniques.
- Establishment of in-house capability for dynamic simulation of complex thermal-fluid systems in Combined Cycle Power Plant.
- Development of upgraded cement kiln and ball mill designs, suitable for enhanced production capacity and higher operating speeds.
- Effective solutions to design/analysis problems involving complex structures and piping systems for offshore Oil & Gas applications.
- Development of in-house analysis capabilities and resources for Deepwater Oil & Gas applications.
- Capability development for design for water treatment systems for various applications.
- Successful testing/commissioning of plants and equipment in various E&C projects, through multi-disciplinary technology support.
- Acquisition of in-house expertise in high-end engineering analysis (e.g., advanced FEA, CFD, Dynamic Simulation, Acoustic Mapping, Rotor Dynamics, Non-Linear Analysis etc.) and technologies such as composite materials, advanced corrosion control methods and water treatment techniques.
- Establishment/upgradation of state-of-the-art laboratory facilities for material characterization, chemical analysis, corrosion control, vibration and acoustics and experimental stress analysis, in order to provide comprehensive technology support to business units. This has reduced the dependence on external agencies and enabled effective execution of projects.
- Increasing the know-how and Improvement in job knowledge/ capability enhancement, improvement of sales & margins, pioneered & attained leadership position in India in multi-purpose driven cast-in-situ piling rigs.
- Construction automation and reduction of manpower, improvement in speed and quality of mechanised piles.
- Quality upgradation in pile spice fabrication.
- Pioneering effort in technology import and implementation in India to improve quality and reduce manpower.

3. **Information regarding technology imported during the last 5 years**

Sr. No.	Technology Imported	Year of Import	Status
a)	Hydraulic Tyre Curing Presses	2003	Absorbed
b)	Development of methodology for two phase flow piping analysis.	2003	Absorbed
c)	Sulphur recovery from refinery gases using modified Claus Process.	2003	Absorbed
d)	Bypass systems – Cement Kiln	2004	Absorbed
e)	Motor spirit quality upgradation processes absorption	2004	Under absorption
f)	Cement grinding in vertical mill absorption	2004	Under absorption
g)	Sour Water Stripping Process	2005	Absorbed
h)	Tail Glass Treatment Process	2005	Absorbed
i)	Manufacturing know-how of Cementing Unit absorption	2007	Under absorption

[C] FOREIGN EXCHANGE EARNINGS AND OUTGO:

Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, and export plans.

Overview:

The Company has a diversified range of products. Each business division of the Company has dedicated cells for giving impetus to exports. The Company regularly participates in prestigious international exhibitions and conducts market surveys and direct mail campaigns. The Company has offices abroad and agents in various countries to boost exports. The Company is intensifying efforts in selected countries and exploring new markets. The Company is expanding reach of new products through synergy with existing products and international Engineering, Procurement and Construction (EPC) projects. Export of heavy engineering equipment has been identified as thrust area. The Company has an international presence, with a global spread of offices and joint ventures with world leaders. Its large technology base and pool of experienced personnel enable it to offer integrated services in world markets.

Engineering & Construction Division:

The Division has been continuing to focus on the Gulf Co-operation Council (GCC) countries for procuring EPC/turnkey contracts. The Division has set up overseas design and engineering centres in

United Arab Emirates (UAE) to cater to engineering support on new projects, obtaining stand-alone engineering/consultancy business and co-ordination/support on EPC projects awarded in the region. The Division is also focusing on electro-mechanical construction works in all GCC countries and towards achieving the same, JV companies have been formed in Kuwait, Oman, Saudi Arabia & Qatar. The Division is widening its network of overseas marketing partners in the GCC as well as other countries in the Middle East & Far East. The Division is looking forward to other emerging opportunities in the Middle East, Africa and CIS countries.

Heavy Engineering Division:

The Division continues to take a number of initiatives to enhance export growth. In the last financial year, exports accounted for 50% of total sales in the Division. The Division is targeting the Middle East & North Africa (MENA) market as it offers huge potential for business. The Division had signed strategic co-operation agreement with Sinopec, an oil and gas major in China and also appointed agents for business promotion in Libya, Egypt and Iran. The Division is also exploring opportunities for export in non-oil and gas sectors as well. Some of the orders received during the year include:

- USD 421 million order from Kuwait National Petroleum Company (KNPC) for refinery equipment – reactors and separators for their clean fuel project.
- For Ammonia Converters for a fertilizer project in Algeria which has enabled the Company to gain an entry into Algeria's hydrocarbon sector.
- From Hebi Coal & Electricity Company in Henan Province for supply of coal gasification equipment to their Methanol project.
- Supply of critical ammonia and urea equipment for Petrochina.
- Supply of Heat Exchangers for Sinopec.
- Supply of Ethylene Oxide Reactors for China North Chemical Industries.
- Supply of Dry Shielded Canisters for Areva TN for their power project in USA.

Electrical & Electronics Division:

In continuation of its plan for expanding the presence in selected international market with contemporary technology products the Division got more approvals from international bodies. Two new medical products in the patient monitoring range viz. Planet 55 & Star 55 were developed primarily for meeting US requirements and FDA approvals were received for these products during 2007-2008. The Division focused on developing/aligning the medical products to meet the US requirements. Three medical products secured 'CB' (Certification Body) certification by STQC Certification Services, Department of Information Technology, Govt. of India which is valid in 138 countries. The capnography equipment got 'JPAL' certification from BSI, Japan. The Division's sales to the US market for its medical products exhibited a significant increase over the previous year.

The Division's switchgear business continued to pursue the two pronged strategy of promoting sales to select overseas markets and to brand labelling partners. With the introduction of its own range of modular devices in UAE, the Division made substantial inroads in the UAE market, securing prestigious building projects. The Division successfully catered to the needs of brand labeling partners by supplying over four thousand units of 'U-Power' Air Circuit Breakers from its wholly owned subsidiary's factory at Wuxi in China.

The Division also completed the largest ever CB certification for Moulded Case Circuit Breakers (MCCBs) by KEMA. The Division has also initiated similar certification for Controlgear products, which will be completed in 2008-2009. Both these certification programs will lead to getting the CCC (China Compulsary Certification) certification for MCCBs & Controlgear products.

The Electrical Systems and Equipment comprising of Low Voltage (LV) and Medium Voltage (MV) Switchboards and Systems exhibited significant growth in the Middle East and Oman.

The Division's JV in Saudi Arabia to manufacture and market LV and MV switchboards started its operation and made headways in terms of pre-qualification and approvals.

The Division's entry into MV electrical market was well received in the Middle East market and it executed a couple of significant MV orders in the industrial segment.

The Division's electrical products were sold in the Middle East, China, South East Asia, Africa and neighbouring countries; while medical equipment were shipped to the US and Europe.

Manufacturing & Industrial Products Division:

Kansbahal Unit has developed contact with potential customers, local service providers in the Middle East and Australia, Indonesia etc. where export opportunity for Surface Miners is good.

The Division is also in dialogue with VOITH-Germany for export of Paper equipment like Drying Cylinders, Twin drum Pulper, etc. Voith deputed their sourcing expert for assessment of facilities, quality records, engineering capability, etc. who rated the unit as a good source for procurement. Voith will now send us enquiries for these equipment for global marketing. The Unit has also initiated a dialogue with Hazemag for marketing of Crushing equipment in Germany and other European countries.

Products & services exported:

The Company's exports cover fabricated equipment, electrical and electronic switchgear products and medical equipment. During the year under review, the electrical products were exported to the Middle East, China, South East Asia, Africa and neighbouring countries.

The Company's E&C Division has executed and is executing Engineering Procurement (EP) and EPC projects in countries like Oman, Qatar, Saudi Arabia, Kuwait, UAE, Malaysia, etc. in various areas such as oil & gas, hydrocarbon, power & fertilizers.

The following initiatives have been taken by the Company:

- Offering valued services like site work for Chinese projects.
- Participating in international seminars.
- Building on the success of Power Plant equipment with overseas customers.
- Offering services like maintenance friendly design features for high pressure heat exchangers at customers' plants.
- Establishment of representative offices in major overseas markets.
- The Company is bidding for a number of jobs in China, Argentina, the Middle East Countries, CIS countries, Malaysia, etc. Joint venture companies formed in many of these countries are participating in many tenders.
- The Company has widened the geographical areas for augmenting its exports.
- The Company is looking at inorganic growth opportunities by acquisition of specialized engineering outfits/EPC companies abroad.
- The E&C Division has started operating the modular offshore fabrication yard at Sohar, Oman and this initiative has opened up a host of opportunities for fabrication of large oil & gas structures.
- A joint venture company Offshore International FZC has been incorporated in UAE with M/s Sapura Crest of Malaysia for construction of own offshore installation & pipe-lay vessel.
- Efforts for strategic alliances with Process Licensors/ technology providers and reputed EPC players are underway to procure high value jobs in international markets.
- The Company is also bringing in global talents and resources in the areas of Engineering, Risk Management, Project Management, Contract Administration, Front End Marketing, etc. to strengthen the overseas operations.

Total foreign exchange used and earned:

Rs.crore

	2007-2008	2006-2007
Foreign Exchange earned	5,656.59	3,770.59
Foreign Exchange saved	124.04	73.46
Total	5,780.63	3,844.05
Foreign Exchange used	4,534.37	3,492.11

Annexure 'B' to the Directors' Report

Information required to be disclosed under SEBI (ESOS & ESPS) Guidelines, 1999

(I) Employee Stock Ownership Scheme-1999-2003

A. PRE RESTRUCTURE:

		ESOP SERIES					
	Particulars (1)	**SAR-1999** (2)	**2000** (3)	**2002-A** (4)	**2002-B** (5)	**2003-A** (6)	**2003-B** (7)
(a)	Options granted	10,66,000 Stock Appreciation Rights (SARs)	39,48,800 Equity shares	37,81,100 Equity shares	37,81,660 Equity shares	67,51,000 Equity shares	57,42,500 Equity shares
(b)	The pricing formula	Grant price for the purpose of ascertaining the appreciation: Average of daily High Low Averages of the Company's Share price on the Stock Exchange, Mumbai, during the year April 1998 – March 1999. This worked out to Rs. 199/- per share.	The average market price on the Stock Exchange, Mumbai, on the date of grant i.e., June 1, 2000 – Rs. 184/- per share.	The average market price on the Stock Exchange, Mumbai, on the date of grant i.e., April 19, 2002 – Rs. 172/- per share.	The average market price on the Stock Exchange, Mumbai, on the date of grant, i.e, April 19, 2002 – Rs. 172/- per share.	The average of the two weeks high and low prices of the shares on the Stock Exchange, Mumbai, preceding the date of grant i.e., May 23, 2003 – Rs. 206/- per share.	The average of the two weeks high and low prices of the shares on the Stock Exchange, Mumbai, preceding the date of grant i.e., May 23, 2003 – Rs. 206/- per share.
(c)	Options vested	10,60,750	38,64,050	20,67,250	20,19,830	Nil	Nil
(d)	Options exercised	2,66,500	52,415	12,750	6,250	Nil	Nil
(e)	Total number of shares arising as a result of exercise of Options (Equity shares of Rs. 10/- each)	1,04,318	52,415	12,750	6,250	Nil	Nil
(f)	Options lapsed	5,250	1,46,025	1,25,300	1,07,375	Nil	Nil
(g)	Variation of terms of Options	Nil	Nil	Nil	Nil	Nil	Nil
(h)	Money realised by exercise of Options	Rs. 10,43,180/-	Rs. 96,44,360/-	Rs. 21,93,000/-	Rs. 10,75,000/-	Nil	Nil
(i)	Total Number of Options in force	7,94,250 SARs	37,50,360	36,43,050	36,68,035	67,51,000	57,42,500

A. PRE RESTRUCTURE: (Contd.)

	Particulars (1)	ESOP SERIES SAR-1999 (2)	2000 (3)	2002-A (4)	2002-B (5)	2003-A (6)	2003-B (7)
(j)	Employee-wise details of Options granted to –						
	i) Senior Managerial Personnel:						
	Mr. A.M. Naik	1,25,000	2,00,000	2,00,000	2,00,000	2,00,000	2,00,000
	Mr. J.P. Nayak	60,000	1,00,000	1,00,000	1,20,000	1,20,000	1,20,000
	Mr. Y.M. Deosthalee	60,000	1,00,000	1,00,000	1,20,000	1,20,000	1,20,000
	Mr. K. Venkataramanan	60,000	1,00,000	1,00,000	1,20,000	1,20,000	1,20,000
	Mr. R.N. Mukhija	30,000	60,000	85,000	80,000	85,000	85,000
	Mr. V. K. Magapu	20,000	35,000	35,000	40,000	22,500	22,500
	Mr. K.V. Rangaswami	16,000	25,000	25,000	27,000	17,500	17,500
	Mr. M.V. Kotwal	16,500	27,000	27,000	30,000	17,500	17,500
	Mr. A. Ramakrishna	80,000	1,25,000	1,25,000	90,000	60,000	-
	Mr. P.M. Mehta	30,000	60,000	85,000	40,000	-	-
	Mr. M. Karnani	40,000	42,000	-	-	-	-
		5,37,500	8,74,000	8,82,000	8,67,000	7,62,500	7,02,500
	ii) Any other employee who receives a grant, in any one year, of Options amounting to 5% or more of Options granted during that year.	None	None	None	None	None	None
	iii) Identified employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	None	None	None	None	None	None

Consequent to the demerger (sanctioned by the High Court of Judicature at Bombay on April 22, 2004) of Cement Business of the Company and restructuring of the share capital the outstanding SARs were converted into equivalent number of Options and the total number of Options in force as above were readjusted in proportion to the restructured equity capital i.e., one Option for an equity share of the face value of Rs. 2/- for every two Options and repriced at Rs. 14/- per Option in respect of ESOP Series 1999, 2000, 2002-A & 2002-B and Rs. 70/- per Option in respect of ESOP Series 2003-A & 2003-B.

B. POST-RESTRUCTURE (PRE-BONUS ISSUE):

	Particulars (1)	ESOP SERIES 1999 (2)	2000 (3)	2002-A (4)	2002-B (5)	2003-A (6)	2003-B (7)
(a)	(1) Options granted (outstanding and adjusted consequent to restructuring of share capital)	3,97,125	18,75,180	18,21,525	18,34,018	33,75,500	28,71,250
	(2) Options granted during:						
	(a) 2005-2006						6,02,670
	(b) 1.4.2006 to 29.9.2006						56,460
	(Equity shares of Rs.2/- each)						35,30,380
(b)	The pricing formula (Adjusted grant price per share)	Rs. 14/-				Rs. 70/-	
(c)	Options vested (adjusted on restructure)	3,97,125	18,75,180	10,22,050	10,02,003	Nil	Nil
	Add: vested post restructure	-	-	7,90,312	8,20,708	20,51,220	19,32,585
	Total	3,97,125	18,75,180	18,12,362	18,22,711	20,51,220	19,32,585
(d)	Options exercised	3,97,121	18,65,367	18,03,824	18,04,510	20,33,343	19,14,964
(e)	Total number of shares arising as a result of exercise of Options (Equity shares of Rs.2/- each)	3,97,121	18,65,367	18,03,824	18,04,510	20,33,343	19,14,964
(f)	Options lapsed and/or withdrawn	4	5,613	12,326	14,583	6,94,997	3,23,009
(g)	Variation of terms of Options	Nil	Nil	Nil	Nil	Nil	Nil
(h)	Money realised by exercise of Options	Rs. 55,59,694/-	Rs. 2,61,15,138/-	Rs. 2,52,53,536/-	Rs. 2,52,63,140/-	Rs. 14,23,34,010/-	Rs. 13,40,47,480/-
(i)	Total Number of Options in force -						
	Vested	Nil	4,200	5,375	14,925	17,389	17,135
	Unvested	Nil	Nil	Nil	Nil	6,29,771	12,75,272
	Total	Nil	4,200	5,375	14,925	6,47,160	12,92,407
(j)	Employee-wise details of Options granted	Please refer to Part A (j)					

Consequent to the issue of Bonus Shares the total number of Options in force as above as at the record date for Bonus Issue i.e., 29.9.2006 was readjusted in number in the ratio of Bonus Issue (1:1) and the above exercise price of Rs. 14/- and Rs. 70/- was readjusted to Rs. 7/- and Rs. 35/- respectively.

C. POST-RESTRUCTURE (POST BONUS ISSUE):

	Particulars (1)	ESOP SERIES 1999 (2)	2000 (3)	2002-A (4)	2002-B (5)	2003-A (6)	2003-B (7)
(a)	(1) Options granted (outstanding and adjusted consequent to *Bonus Issue*)	Nil	8,400	10,750	29,850	12,94,320	25,84,814
	(2) Options granted post Bonus Issue						3,78,430
	(Equity shares of Rs. 2/- each)						29,63,244
(b)	The pricing formula (Adjusted grant price per share)	Rs. 7/-				Rs. 35/-	
(c)	Options vested (adjusted on Bonus Issue)	Nil	8,400	10,750	29,850	34,778	34,270
	Add: vested post Bonus Issue	-	-	-	-	12,35,430	18,23,492
	Total	Nil	8,400	10,750	29,850	12,70,208	18,57,762
(d)	Options exercised	Nil	Nil	Nil	10,000	12,52,754	18,19,396
(e)	Total number of shares arising as a result of *exercise of Options* * (Equity shares of Rs. 2/- each)	Nil	Nil	Nil	10,000	12,45,754	17,76,396
(f)	Options lapsed	Nil	Nil	Nil	Nil	25,840	1,72,380
(g)	Variation of terms of Options	Nil	Nil	Nil	Nil	Nil	Nil
(h)	Money realised by exercise of Options	Nil	Nil	Nil	Rs. 70,000/-	Rs. 4,36,01,390/-	Rs. 6,21,73,860/-
(i)	Total Number of Options in force - Vested	Nil	8,400	10,750	19,850	15,726	34,666
	Unvested	Nil	Nil	Nil	Nil	Nil	9,36,802
	Total	Nil	8,400	10,750	19,850	15,726	9,71,468
(j)	Employee-wise details of Options granted	Please refer to Part A (j)					

* During the year 2007-2008, 50,000 shares were allocated to *employees* who exercised 7,000 Options under 2003-A Series and 43,000 Options under 2003-B Series from the shares returned by former Directors in accordance with the consent terms approved by the Hon'ble High Court of *Bombay on June* 14, 2007.

Information required to be disclosed under SEBI (ESOS & ESPS) Guidelines, 1999
(II) Employee Stock Option Scheme-2006

	Particulars (1)	ESOP SERIES 2006 (2)	2006-A (3)
(a)	(1) Options granted (Pre Bonus Issue)	53,35,750	-
	Options Outstanding and adjusted consequent to Bonus Issue#	1,06,71,500	-
	(2) Options granted Post Bonus Issue	6,34,670	9,95,270
	(Equity shares of Rs. 2/- each)		
(b)	The pricing formula	The latest available closing price on National Stock Exchange of India Limited on August 31, 2006, preceding the date of initial grant i.e., *September 1, 2006* – Rs. 2,404/- per share.	The latest available closing price on National Stock Exchange of India Limited on June 29, 2007, preceding the date of grant i.e., July 1, 2007-Rs. 2,198/- per share *(Discounted grant price per share* – Rs. 1,202/-)
	#Consequent to the issue of Bonus Shares the total number of Options in force as at the record date for Bonus Issue i.e., September 29, 2006 was readjusted in number in the ratio of Bonus Issue (1:1) i.e., 1,06,71,500 Equity Shares and the above exercise price of Rs. 2,404/- was readjusted to Rs. 1,202/-.		

Information required to be disclosed under SEBI (ESOS & ESPS) Guidelines, 1999
(II) Employee Stock Option Scheme-2006 (Contd.)

	Particulars (1)	ESOP SERIES 2006 (2)	ESOP SERIES 2006-A (3)
(c)	Options vested	19,13,850	Nil
(d)	Options exercised	11,59,921	Nil
(e)	Total number of shares arising as a result of exercise of Options (Equity shares of Rs. 2/- each)	11,59,921	Not Applicable
(f)	Options lapsed and/or withdrawn	31,09,350	Nil
(g)	Variation of terms of Options	Nil	Nil
(h)	Money realised by exercise of Options	139,42,25,042	Not Applicable
(i)	Total Number of Options in force – Vested Unvested	 7,47,179 62,89,720	 - 9,95,270
	Total	70,36,899	9,95,270
(j)	Employee-wise details of Options granted to – i) Senior Managerial Personnel ii) Any other employee who receives a grant, in any one year, of Options amounting to 5% or more of Options granted during that year iii) Identified employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	 None None None	
	Employee Stock Ownership Scheme – 1999-2003 and Employee Stock Option Scheme 2006		
(k)	Diluted Earning per Share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standards (AS) 20	Rs. 72.76	
(l)	The difference between employee compensation cost using intrinsic value method and the fair value of the Options and impact of this difference on profits and on EPS	Had fair value method been adopted for expensing the ESOP compensation : (a) the ESOP compensation charge debited to P&L A/c would have been higher by Rs. 97.74 crore (excluding Rs. 0.27 crore on account of grants to employees of subsidiary companies) (b) Basic EPS would have decreased from Rs. 75.59 per share to Rs. 72.19 per share (c) Diluted EPS would have decreased from Rs. 72.76 per share to Rs. 69.45 per share	
m)(i)	a) Weighted average exercise prices of Options granted during the year where exercise price is less than market price	Rs. 1,104.97 per Option	
	b) Weighted average exercise prices of Options granted during the year where exercise price equals market price	No such grants during the year	
(ii)	a) Weighted average fair values of options granted during the year where exercise price is less than market price	Rs. 1,432.50 per Option	
	b) Weighted average fair values of options granted during the year where exercise price equals market price	No such grants during the year	

Information required to be disclosed under SEBI (ESOS & ESPS) Guidelines, 1999
(II) Employee Stock Option Scheme-2006 (Contd.)

	Particulars	ESOP SERIES
n)	Method and significant assumptions used to estimate the fair value of Options granted during the year	
	a) Method	Black-Scholes Method
	b) Significant Assumptions	
	(i) Weighted average risk-free interest rate	7.93%
	(ii) Weighted average expected life of Options	3.74 years
	(iii) Weighted average expected volatility	39.01%
	(iv) Weighted average expected dividends	Rs. 63.65 per Option
	(v) Weighted average market price	Rs. 2,233.77 per share

Notes: 1. The information disclosed in respect of item No. (I) above is in respect of grants made after June 30, 2003.
2. The weighted average exercise price and fair values of the Options have been computed after considering bonus issue.

Auditors' certificate on Employee Stock Option Schemes

We have examined the books of account and other relevant records and based on the information and explanations given to us, certify that in our opinion, the Company has implemented the Employee Stock Option Schemes in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolutions of the Company in General Meetings held on August 26, 1999, August 22, 2003 and August 25, 2006.

SHARP & TANNAN
Chartered Accountants
by the hand of
F M Kobla
Partner
Membership No. 15882

Mumbai, May 29, 2008

Annexure 'C' to the Directors' Report

A. CORPORATE GOVERNANCE

Corporate Governance is the application of best management practices, compliance of law and adherence to ethical standards to achieve the Company's objective of enhancing shareholder value and discharge of social responsibility. The Corporate Governance Structure in the Company assigns responsibilities and entrusts authority among different participants in the organization viz. the Board of Directors, the senior management, employees etc. The Company had infact adopted Corporate Governance and disclosure practices much before these were mandated by legislation.

B. COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY

The Company's essential character revolves around values based on transparency, integrity, professionalism and accountability. At the highest level the Company continuously endeavors to improve upon these aspects on an ongoing basis and adopts innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation, fostering a healthy growth and development of human resources to take the Company forward.

C. THE GOVERNANCE STRUCTURE

The Company has four tiers of Corporate Governance structure, viz.:

(i) **Strategic Supervision** – by the Board of Directors comprising the Executive and Non-Executive Directors.

(ii) **Executive Management** – by the Corporate Management comprising the Executive Directors.

(iii) **Strategy & Operational Management** – by the Divisional Board of Operating Divisions. It is now proposed to replace the Operating Divisions by Operating Companies w.e.f. July 1, 2008. Operating Companies would be formed of each identified verticals to be governed by a Board.

(iv) **Operational Management** – by the Strategic Business Unit (SBU) Heads.

The four-tier governance structure besides ensuring greater management accountability and credibility, facilitates increased autonomy of businesses, performance discipline and development of business leaders, leading to increased public confidence.

D. ROLES OF VARIOUS CONSTITUENTS OF CORPORATE GOVERNANCE IN THE COMPANY

a. Board of Directors (Board):

The Directors of the Company are in a fiduciary position, empowered to oversee the management functions with a view to ensure its effectiveness and enhancement of shareholder value. The Board reviews and approves management's strategic plan & business objectives and monitors the Company's strategic direction.

b. Corporate Management (CM):

The main function of the Corporate Management is strategic management of the Company's businesses within Board approved direction and framework, ensuring that effective systems are in place for appropriate reporting to the Board on important matters.

c. Chairman & Managing Director (CMD):

The CMD is the Chairman of the Board as also the Chief Executive Officer of the Company. His primary role is to provide leadership to the Board and the Corporate Management for realizing the approved strategic plan and business objectives. He presides over the meetings of the Board and the Shareholders.

d. Executive Directors (ED):

The Executive Directors, as members of the Board and the Corporate Management, contribute to the strategic management of the Company's businesses within Board approved direction and framework. They assume overall responsibility for strategic management of business and corporate functions including its governance processes and top management effectiveness. As regards Subsidiaries and Associates, the Executive Directors act as the custodians of the Company's interests and are responsible for their governance in accordance with the approved plans.

e. Non-Executive Directors (NED):

The Non-Executive Directors play a critical role in improving the Board effectiveness with their independent judgment on issues of strategy, performance, resources, standards of conduct, etc., besides providing the Board with valuable inputs.

E. BOARD OF DIRECTORS

a. Composition of the Board:

As on date, the Board comprises Chairman & Managing Director, Seven (7) Executive Directors and Eight (8) Non-Executive Directors, which is in conformity with Clause 49 of the Listing Agreement.

b. Meetings of the Board:

The Meetings of the Board are generally held at the Registered Office of the Company at L&T House, Ballard Estate, Mumbai 400 001, though during the year under review one Meeting was held in Dubai on January 28, 2008. During the year under review, 8 Meetings were held on May 29, 2007, July 3, 2007, July 19, 2007, August 23, 2007, October 26, 2007, December 22, 2007, January 28, 2008 and March 26, 2008.

The Company Secretary prepares the agenda and the explanatory notes, in consultation with the Chairman & Managing Director and circulates the same in advance to the Directors. Every Director is free to suggest inclusion of items on the agenda. The Board meets at least once every quarter inter alia to review the quarterly results. Additional Meetings are held, when necessary. The draft minutes of the proceedings of the Meetings of the Board of Directors are circulated amongst the Members of the Board. Comments, if any, received from the Directors are incorporated in the minutes, in consultation with the Chairman & Managing Director. The minutes are confirmed by the Members of the Board at the next Meeting. Senior management personnel are called to provide additional inputs for the items being discussed by the Board of Directors as and when necessary.

The attendance of Directors at the Meetings during the year and at the last Annual General Meeting as also number of other Directorships & Memberships of Committees as on March 31, 2008 are as follows:

Name of Director	Nature of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships	No. of Committee Membership	No. of Committee Chairmanship
Mr. A. M. Naik	CMD	8	YES	1	-	-
Mr. J. P. Nayak	ED	8	YES	9	1	5
Mr. Y. M. Deosthalee	ED	8	YES	10	-	4
Mr. K. Venkataramanan	ED	8	YES	6	1	2
Mr. R. N. Mukhija	ED	8	YES	1	2	-
Mr. K. V. Rangaswami	ED	7	YES	6	2	-
Mr. V. K. Magapu	ED	8	YES	1	1	-
Mr. M. V. Kotwal	ED	8	YES	1	-	-
Mr. S. Rajgopal	NED	7	YES	1	1	-
Mr. S. N. Talwar	NED	7	YES	14	7	4
Mr. M. M.Chitale	NED	7	YES	6	3	3
Lt. Gen. Surinder Nath (Retd.) ^	NED	4	YES	N.A.	N.A.	N.A.
Mr. U. Sundararajan ^	NED	1	NO	N.A.	N.A.	N.A.
Mr. Thomas Mathew T $	NED	6	YES	4	-	1
Mr. N. Mohan Raj $ *	NED	6	YES	2	2	-
Mr. Subodh Bhargava ~	NED	4	YES	11	6	4
Mrs. Bhagyam Ramani @	NED	4	YES	3	1	-
Mr. K. G. Ramachandran !	NED	1	NO	N.A.	N.A.	N.A.
Mr. A. K. Jain #	NED	N.A.	N.A.	N.A.	N.A.	N.A.

None of the above Directors are related inter-se.

@ Representing equity interest of GIC, appointed on July 19, 2007

$ Representing equity interest of LIC

* Appointed on May 29, 2007

^ retired on August 24, 2007 and did not seek re-appointment

! resigned w.e.f. December 22, 2007

Representing equity interest of SUUTI, appointed on May 29, 2008

~ Appointed on July 3, 2007

CMD – Chairman & Managing Director

ED – Executive Director

NED – Non-Executive Director

c. Information to the Board:

The Board of Directors has complete access to the information within the Company, which inter alia includes:

1 Annual revenue budgets and capital expenditure plans.

2 Quarterly results and results of operations of Operating Divisions and business segments.

3 Financing plans of the Company.

4 Minutes of meeting of Audit Committees, Nomination & Compensation Committees and Shareholders'/Investors' Grievance Committees.

5 Details of any joint venture, acquisitions of companies or collaboration agreement.

6 Fatal or serious accidents or dangerous occurrences, any material effluent or pollution problems.

7 Any materially relevant default, if any, in financial obligations to and by the Company or substantial non-payment for goods sold or services rendered, if any.

8 Any issue, which involves possible public or product liability claims of substantial nature, including any Judgment or Order, if any, which may have strictures on the conduct of the Company.

9 Developments in respect of human resources.

10 Compliance or Non-compliance of any regulatory, statutory nature or listing requirements and investor service such as non-payment of dividend, delay in share transfer etc., if any.

F. BOARD COMMITTEES

The Board currently has 3 Committees: 1) Audit Committee, 2) Nomination and Compensation Committee and 3) Shareholders'/ Investors' Grievance Committee. The Board is responsible for constituting, assigning and co-opting the members of the Committees.

1) Audit Committee

The role of the Audit Committee includes the following:

- Overseeing the Company's financial reporting process and disclosure of its financial information.
- Reviewing the Company's treasury policy.
- Recommending the appointment of the Statutory Auditors and fixation of their remuneration.
- Reviewing and discussing with the Statutory Auditors and the Internal Auditor about internal control systems.
- Reviewing the adequacy and independence of the Internal Audit function, and observations of the Internal Auditor.
- Reviewing major accounting policies and practices and adoption of applicable Accounting Standards.
- Reviewing major accounting transactions involving exercise of judgement by the management.
- Disclosure of contingent liabilities.
- Reviewing, if necessary, the findings of any internal investigations by the Internal Auditors and reporting the matter to the Board.
- Reviewing the risk management mechanisms of the Company.
- Reviewing of compliance with Listing Agreement and various other legal requirements concerning financial statements and related party transactions.
- Reviewing the Quarterly and Half yearly financial results and the Annual financial statements before they are submitted to the Board of Directors.
- Reviewing the operations, new initiatives and performance of the business divisions.
- Looking into the reasons for substantial defaults in payments to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any.

Minutes of the Audit Committee Meetings are circulated to the Members of the Board of Directors and taken note of.

The Audit Committee of the Board of Directors was formed in 1986 and as on March 31, 2008 comprises three Non-Executive Directors, all of whom are independent.

The Committee met 6 times during the year on April 27, 2007, May 28, 2007, July 19, 2007, October 26, 2007, January 27, 2008 and February 7, 2008. The attendance of Members at the Meetings was as follows:

Name	Status	No. of Meetings Attended & Remarks
Mr. M. M. Chitale	Chairman	6
Mr. N. Mohan Raj	Member	3 (appointed on May 29, 2007)
Mrs. Bhagyam Ramani	Member	3 (appointed on July 19, 2007)
Mr. Kranti Sinha	Chairman	1 (resigned on May 11, 2007)
Mr. B. P. Deshmukh	Member	1 (resigned on May 15, 2007)
Mr. U. Sundararajan	Member	2 (retired on August 24, 2007)
Mr. K. G. Ramachandran	Member	- (resigned w.e.f. December 22, 2007)

All the members of the Audit Committee are financially literate and have accounting or related financial management expertise.

The Chief Financial Officer and the Chief Internal Auditor are permanent invitees to the Meetings of the Audit Committee. The Company Secretary is the Secretary to the Committee.

The Company's Internal Audit function is ISO 9001:2000 certified.

2) Nomination & Compensation Committee

i) **Terms of reference:**

To review, assess and recommend the appointment of Executive and Non-Executive Directors and to review their remuneration package, to recommend compensation to the Non-Executive Directors in accordance with the provisions of the Companies Act, 1956, to consider and recommend Employee Stock Option Schemes and to administer and superintend the same.

ii) **Composition:**

The Committee has been in place since 1999. The Committee comprises 3 Non-Executive Directors and the Chairman & Managing Director.

The Committee met 8 times during the year on May 29, 2007, July 3, 2007, July 19, 2007, August 23, 2007, October 26, 2007, December 22, 2007, January 28, 2008 and March 26, 2008. The attendance of Members at the Meetings was as follows:

Name	Status	No. of Meetings Attended & Remarks
Mr. S. Rajgopal	Chairman	7
Mr. S. N. Talwar	Member	7
Mr. A. M. Naik	Member	8
Mr. Subodh Bhargava	Member	4 (appointed on July 3, 2007)
Lt. Gen. Surinder Nath (Retd.)	Member	4 (retired on August 24, 2007)

iii) **Remuneration Policy:**

The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution, retain talent and reward merit. Remuneration of employees largely consists of base remuneration, perquisites and performance incentives.

The components of the remuneration vary for different grades and are governed by industry pattern, qualifications, experience, responsibilities handled, individual performance, etc.

iv) **Details of remuneration paid/payable to Directors for the year ended March 31, 2008:**

(a) Executive Directors:

The details of remuneration paid/payable to the Executive Directors is as follows : *Rs.Lac*

Name	Salary	Perquisites	Retirement Benefits	Commission
Mr. A. M. Naik	126.00	15.00	175.22	522.95
Mr. J. P. Nayak	66.00	15.00	88.42	261.48
Mr. Y. M. Deosthalee	69.00	63.33	89.23	261.48
Mr. K. Venkataramanan	66.00	62.81	88.42	261.48
Mr. R. N. Mukhija	63.00	61.56	87.61	261.48
Mr. K. V. Rangaswami	60.00	12.24	72.68	209.18
Mr. V. K. Magapu	60.00	12.60	72.68	209.18
Mr. M. V. Kotwal	57.00	50.22	71.87	209.18

- Notice period for termination of appointment of Chairman & Managing Director and other Whole-time Directors is six months on either side.
- No severance pay is payable on termination of appointment.
- Details of Options granted under Employee Stock Option Schemes are given in Annexure 'B' to the Directors' Report.

(b) Non-Executive Directors:

The Non-Executive Directors are paid sitting fees @ Rs. 20,000/- per meeting of the Board or its Committees. The amount of commission paid to each Non-Executive Director is decided by the Board of Directors on the basis of the following criteria and recommended by the Nomination and Compensation Committee:

i. Number of Board/Committee Meetings attended

ii. Chairmanship of Committees

As required by the provisions of Clause 49 of the Listing Agreement, the criteria for payment to Non-Executive Directors is made available on the investor page of our corporate website www.larsentoubro.com.

The details of remuneration paid/payable to the Non-Executive Directors is as follows:

Rs. Lac

Name	Sitting Fees	Commission
Mr. S. Rajgopal	2.80	2.50
Mr. B. P. Deshmukh	0.20	-
Mr. Kranti Sinha	0.20	-
Mr. S. N. Talwar	2.80	5.50
Mr. M. M. Chitale	2.60	6.00
Lt. Gen. Surinder Nath (Retd.)	1.60	2.20
Mr. U. Sundararajan	0.60	1.10
Mr. Thomas Mathew T.*	1.80	6.00
Mr. N. Mohan Raj*	1.80	5.50
Mr. Subodh Bhargava	1.60	3.00
Mrs. Bhagyam Ramani*	1.40	5.50
Mr. K. G. Ramachandran	0.20	4.70#

* Payable to respective Institutions they represent.

Commission payable to SUUTI is in respect of its nominee Mr. S. Rajgopal until he was appointed as an Additional Director with effect from October 26, 2007 and Mr. K. G. Ramachandran.

Details of shares held by the Non-Executive Directors as on date are as follows:

Name	No. of Shares held
Mr. S. Rajgopal #	300
Mr. S. N. Talwar	500
Mr. M. M. Chitale	250
Mr. Thomas Mathew T *	100
Mr. N. Mohan Raj *	100
Mr. Subodh Bhargava	100
Mrs. Bhagyam Ramani*	100
Mr. A. K. Jain ^	-

* held jointly with the Institution they represent
^ appointed on May 29, 2008
# has been granted 30,000 stock options

3) Shareholders'/Investors' Grievance Committee:

Terms of reference:

The terms of reference of the Shareholders'/Investors' Grievance Committee are as follows:

1 Redressal of Shareholders'/Investors' complaints expeditiously.

2 Approval of allotment, transfer & transmission of Shares/ Debentures or any other securities and issue of duplicate certificates and new certificates on split/ consolidation/renewal etc. as may be referred to it by the Share Transfer Committee.

Composition:

The Shareholders'/Investors' Grievance Committee comprises of 2 Non-Executive Directors and 2 Executive Directors.

During the year, the Committee held 4 meetings on July 3, 2007, October 26, 2007, January 28, 2008 and March 26, 2008. The attendance of Members at the Meetings was as follows:

Name	Status	No. of Meetings Attended
Mr. Thomas Mathew T.	Chairman	3
Mr. A. K. Jain	Member	— (appointed on May 29, 2008)
Mr. J. P. Nayak	Member	4
Mr. R. N. Mukhija	Member	4

Mr. N. Hariharan, Company Secretary is the Compliance Officer.

During the year, 82 letters were received, all of which were responded to/resolved. As on March 31, 2008, 93 requests involving transfer of 6,757 shares were under process. These requests were less than ten days old and have since been processed.

Complaints from Investors are generally resolved / responded to expeditiously.

The Board has delegated the powers to approve transfer of shares to a committee of three Senior Executives. This Committee held 50 meetings during the year and approved the transfer of shares lodged with the Company.

G. OTHER INFORMATION

a) Risk Management Framework:

The Company has in place mechanisms to inform Board Members about the risk assessment and minimization procedures and periodical review to ensure that executive management controls risk through means of a properly defined framework.

A detailed note on risk management is given in the Financial Review section of Management Discussion and Analysis appearing elsewhere in this Report.

b) Code of Conduct:

The Company has laid down a code of conduct for all Board members and senior management personnel. The Code of Conduct is available on the website of the Company-www.larsentourbo.com. The declaration of Chairman & Managing Director is given below:

To the Shareholders of Larsen & Toubro Limited

Sub: Compliance with Code of Conduct

I hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

A. M. Naik
Chairman & Managing Director

Date: May 23, 2008
Place: Mumbai

c) **General Body Meetings:**

The last three Annual General Meetings of the Company were held at Birla Matushri Sabhagar, Mumbai as under:

Financial Year	Date	Time
2006-2007	August 24, 2007	2.15 p.m.
2005-2006	August 25, 2006	3.00 p.m.
2004-2005	August 26, 2005	3.00 p.m.

The following Special Resolutions were passed by the members during the last 3 Annual General Meetings:

Annual General Meeting held on August 24, 2007:

- To approve raising of capital in Indian and/or International market by issue of securities.
- To approve appointment of Statutory Auditors and remuneration payable to them.

Annual General Meeting held on August 25, 2006:

- To approve introduction and implementation of ESOP Scheme-2006 and to issue upto 5% of the equity capital to employees including Executive Directors and Non-Executive Directors of the Company.
- To approve offering the benefits of ESOP Scheme-2006 to the eligible employees of subsidiary companies and if permitted by law to eligible employees of Associate Companies.
- To approve appointment of Statutory Auditors and remuneration payable to them.

Annual General Meeting held on August 26, 2005:

- To approve payment of commission to Non-Executive Directors of an amount not exceeding Rs. 90 Lakh per annum in the aggregate for a period of five years from the financial year 2005-2006.
- To amend the Articles of Association of the Company by inserting a new article enabling buy back of shares or securities.
- To approve appointment of Statutory Auditors and remuneration payable to them.

d) **Approval by Members through Postal Ballot:**

The Company received approval of the Members, for passing a Special Resolution under Section 293(1)(a) of the Companies Act, 1956, for transfer, sale and/or disposition of the Ready Mix Concrete (RMC) Business Unit of the Company to its subsidiary company or such other entity as may be approved by the Board. Mr. S. N. Ananthasubramanian, Practising Company Secretary, was appointed as the Scrutinizer for conducting the Postal Ballot process. The details of the voting pattern are as under:

Particulars	No. of Votes cast	% of total votes cast
In favour of the Resolution	132,073,440	99.39
Against the Resolution	811,120	0.61
Total	**132,884,560**	**100.00**

Number of Invalid Ballots (unsigned/unticked) was 274.

The Shareholders approval is being sought to restructure the business of the Company, including by transferring, selling and/or disposing of the Medical Equipment & System ("MED") Business Unit of the Company to its subsidiary company or to any other entity as a going concern.

Procedure for Postal Ballot:

After receiving the approval of the Board of Directors, Notice of the Postal Ballot, text of the Resolution and Explanatory Statement, relevant documents, Postal Ballot Form and self-addressed postage pre-paid envelopes are sent to the shareholders to enable them to consider and vote for or against the proposal within a period of 30 days from the date of dispatch. The calendar of events containing the activity chart is filed with the Registrar of Companies within 7 days of the passing of the Resolution by the Board of Directors. After the last date for receipt of ballots, the Scrutinizer, after due verification, submits the results to the Chairman. Thereafter, the Chairman declares the result of the Postal Ballot. The same is published in the Newspapers and displayed on the Company Website and Notice Board.

e) **Disclosures:**

1. During the year, there were no transactions of material nature with the Directors or the Management or the subsidiaries or relatives that had potential conflict with the interests of the Company.
2. There were no instances of non-compliance on any matter related to the capital markets, during the last three years.

f) **Means of communication:**

1. The Company's corporate website www.larsentoubro.com provides comprehensive information about its portfolio of businesses. Section on "Investors" serves to inform and service the Shareholders allowing them to access information at their convenience. The entire Report and Accounts are available in downloadable formats.
2. Quarterly & Annual Results are published in prominent daily newspapers viz. The Business Standard, The Financial Express, The Hindu Business Line & Loksatta.
3. Information to Stock Exchanges are now being filed through Corporate Filing and Dissemination System. Investors can view this information by visiting the website www.corpfiling.co.in.
4. Official news releases, presentations etc. made to Institutional Investors and the shareholding pattern of the Company, on a quarterly basis are displayed on the Company's website: www.larsentoubro.com.
5. Management Discussion & Analysis forms part of the Annual Report, which is mailed to the shareholders of the Company.

H GENERAL SHAREHOLDERS' INFORMATION

a) **Annual General Meeting:**

The Annual General Meeting of the Company has been convened on Friday, August 29, 2008 at Birla Matushri Sabhagar, Marine Lines, Mumbai – 400 020 at 3.00 p.m.

b) **Financial Calendar:**

1.	Annual Results of 2007-08	May 29, 2008
2.	Mailing of Annual Reports	By July, 2008
3.	First Quarter Results	End of July, 2008
4.	Annual General Meeting	August 29, 2008
5.	Payment of Final Dividend	September 2, 2008
6.	Second Quarter results	End of October, 2008
7.	Third Quarter results	End of January, 2009

c) **Book Closure:**

The dates of Book Closure are from Friday, August 22, 2008 to Friday, August 29, 2008 (both days inclusive) to determine the members entitled to the final dividend for 2007-2008.

d) Listing of equity shares/shares underlying GDRs on Stock Exchanges:

The shares of the Company are listed on The Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE).

GDRs are listed on Luxembourg Stock Exchange.

e) Listing Fees to Stock Exchanges:

The Company has paid the Listing Fees for the year 2008-2009 to the above Stock Exchanges.

f) Custodial Fees to Depositories:

The Company has paid custodial fees for the year 2008-2009 to National Securities Depository Limited and Central Depository Services (India) Limited.

g) Stock Code/Symbol:

BSE : 500510

NSE : LT

ISIN No. : INE018A01030

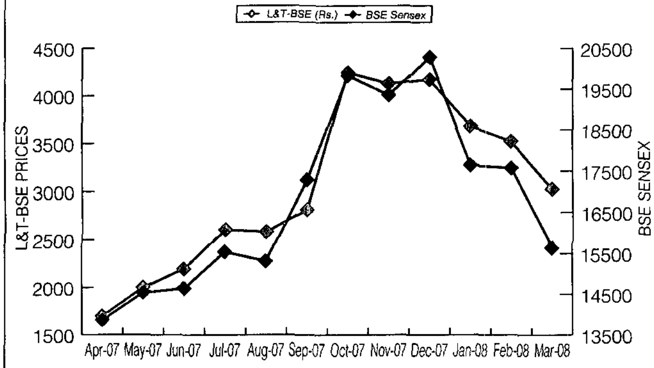
Reuters RIC: LART.BO

The Company's shares constitute a part of BSE 30 Index of the Bombay Stock Exchange Limited as well as NIFTY Index of the National Stock Exchange of India Limited.

h) Stock market price data for the year 2007-2008:

	BSE PRICES (Rs.)		BSE Sensex	
	High	Low	High	Low
April '07	1,725.00	1,508.00	14,383.72	12,425.52
May '07	2,058.00	1,658.00	14,576.37	13,554.34
June '07	2,210.10	1,863.35	14,683.36	13,946.99
July '07	2,735.00	2,190.00	15,868.85	14,638.88
August '07	2,630.00	2,240.55	15,542.40	13,779.88
September '07	2,950.00	2,500.00	17,361.47	15,323.05
October '07	4,470.00	2,725.00	20,238.16	17,144.58
November '07	4,670.00	3,850.00	20,204.21	18,182.83
December '07	4,385.00	3,936.30	20,498.11	18,886.40
January '08	4,400.00	3,000.00	21,206.77	15,332.42
February '08	3,874.00	3,204.00	18,895.34	16,457.74
March '08	3,500.00	2,615.05	17,227.56	14,677.24

Stock Performance



Closing price of the last trading day of the month

i) Registrar and Share Transfer Agents:

Sharepro Services (India) Private Limited, Mumbai.

j) Share Transfer System:

The Company's Shares are required to be compulsorily traded in the Stock Exchanges in dematerialized form. Shares in physical mode which are lodged for transfer are processed and returned within the stipulated time. The share related information is available online.

Share Certificates received for dematerialization are processed and completed within the stipulated period. Bad deliveries are promptly returned to Depository Participants (DP's) under intimation to the shareholders.

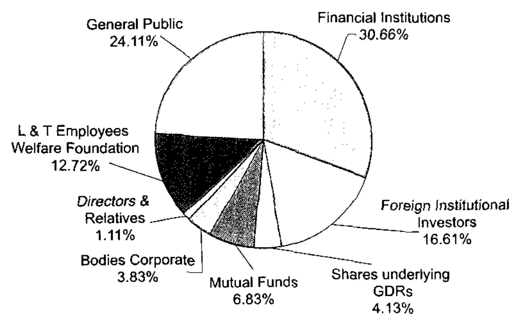
k) Distribution of Shareholding as on March 31, 2008:

No. of Shares	Shareholders		Shareholding	
	Number	%	Number	%
Up to 500	5,57,679	96.45	3,55,37,904	12.15
501 – 1000	10,895	1.88	78,59,318	2.69
1001 – 2000	4,888	0.85	70,10,995	2.40
2001 – 3000	1,632	0.28	40,25,558	1.38
3001 – 4000	809	0.14	28,29,229	0.97
4001 – 5000	438	0.08	19,84,701	0.68
5001 – 10000	791	0.14	54,97,259	1.88
10001 and above	1,045	0.18	22,75,82,426	77.85
TOTAL	**5,78,177**	**100.00**	**29,23,27,390**	**100.00**

l) Pattern of Shareholding as on March 31, 2008 :

Category	*Shareholding*	
	Number	%
Financial Institutions	8,96,43,028	30.66
Foreign Institutional Investors	4,85,52,953	16.61
Shares underlying GDRs	1,20,82,071	4.13
Mutual Funds	1,99,68,129	6.83
Bodies Corporate	1,11,86,002	3.83
Directors & Relatives	32,32,312	1.11
L&T Employees Welfare Foundation	3,71,96,136	12.72
General Public	7,04,66,759	24.11
TOTAL	**29,23,27,390**	**100.00**

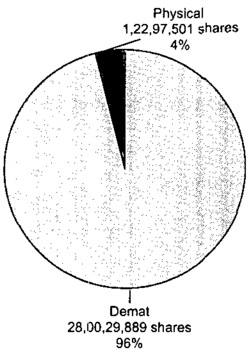
PATTERN OF SHAREHOLDING AS ON MARCH 31, 2008



m) Dematerialization of shares:

As on March 31, 2008, 96% of the Company's total paid-up capital representing 28,00,29,889 shares were held in dematerialized form and the balance 4% representing 1,22,97,501 shares were held in paper form.

SHARES HELD IN DEMAT/PHYSICAL FORM AS ON MARCH 31, 2008



n) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on equity:

The outstanding GDRs are represented by underlying equity shares which are part of the existing paid up capital.

The Company converted the following Foreign Currency Convertible Bonds into equity shares during the year 2007-08.

1. Zero Coupon JPY 11.57 billion Foreign Currency Convertible Bond Due 2011

(i)	Principal Value of Bonds issued	JPY 11.57 billion
(ii)	Principal Value of Bonds converted to equity shares during the year	JPY 11.46 billion
(iii)	Principal Value of Bonds outstanding as at March 31, 2008	NIL
(iv)	Underlying Equity Shares / GDRs issued pursuant to conversion as per (ii) above	35,55,741
(v)	Underlying Equity shares / GDRs that may be issued pursuant to receipt of conversion notices in respect of (iii) above	NIL

These Convertible Bonds were listed on the Singapore Exchange Securities Trading Limited and on full conversion delisted w.e.f January 3, 2008.

o) Listing of Debt Securities:

No privately placed debentures were outstanding as on March 31, 2008.

p) Plant Locations:

Manufacturing facilities of the Company and its Group are located at Ahmednagar, Bangalore, Chennai, China, Coimbatore, Dammam (Saudi Arabia), Faridabad, Hazira, Kansbahal, Mumbai, Mysore, Pithampur, Pondicherry, Talegaon (Pune), Ranoli (Baroda), Sohar (Oman) and Visakhapatnam.

q) Address for correspondence:

Larsen & Toubro Limited,
L&T House, Ballard Estate,
Mumbai 400 001.
Tel. No. (022) 67525 656,
Fax No. (022) 67525 893

Shareholder correspondence may be directed to the Company's Registrar and Share Transfer Agent, whose address is given below:

1. **Sharepro Services (India) Private Limited - Unit:L&T**
Satam Estate, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai – 400 099.
Tel : (022) 28215168/69, 28329828, 67720300
Fax : (022) 28375646
E-Mail : sharepro@vsnl.com

2. **Sharepro Services (India) Private Limited - Unit:L&T**
912, Raheja Centre,
Nariman Point, Mumbai 400 021.
Tel : (022) 22881568/69, 22825163, 67720700
Fax : (022) 22825484
E-Mail: sharepro_services@roltanet.com

r) Investor Grievances:

The Company has designated an exclusive e-mail id viz. igrc@lth.ltindia.com to enable investors to register their complaints, if any.

s) Non-mandatory requirements on Corporate Governance recommended under the Clause 49 of the Listing Agreement:

The Company has adopted the following non-mandatory requirements on Corporate Governance recommended under Clause 49 of the Listing Agreement:

1. A Nomination & Compensation Committee is in place since 1999. The Committee comprises of three Non-Executive Directors and the Chairman & Managing Director of the Company.
2. Whistle Blower policy for L&T and its group companies is in place.

t) Securities Dealing Code:

Pursuant to the SEBI (Prohibition of Insider Trading) Regulations 1992, a Securities Dealing Code for prevention of insider trading is in place. The objective of the Code is to prevent purchase and/or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this Code, Designated Persons (Directors, Advisors, Officers and other concerned employees/persons) are prevented from dealing in the Company's shares during the closure of Trading Window. To deal in securities beyond specified limit, permission of Compliance Officer is also required. All the Designated Employees are also required to disclose related information periodically as defined in the Code.

Mr. N. Hariharan, Company Secretary, has been designated as the Compliance Officer.

u) Secretarial Audit for Capital Reconciliation:

As stipulated by SEBI, a Qualified Practising Company Secretary carries out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges and to the Board of Directors. The Audit confirms that the total Listed and Paid-up capital is in agreement with the aggregate of the total number of shares in dematerialized form and in physical form.

v) ISO 9001 : 2000 Certification:

The Company's Secretarial Department which provides secretarial services and investor services for the Company and its Subsidiary and Associate Companies is ISO 9001:2000 certified.

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

To the Board of Directors of Larsen & Toubro Limited

Dear Sirs,

Sub: CEO / CFO Certificate

(Issued in accordance with provisions of Clause 49 of the Listing Agreement)

We have reviewed the financial statements, read with the cash flow statement of Larsen & Toubro Limited for the year ended March 31, 2008 and that to the best of our knowledge and belief, we state that;

(a) (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;

(ii) These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's Code of Conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.

(d) We have indicated to the Auditors and the Audit Committee:

(i) Significant changes in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and

(ii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee.

Yours sincerely,

	Y. M. Deosthalee	A. M. Naik
Mumbai, May 29, 2008	*Chief Financial Officer*	*Chairman & Managing Director*

Auditors' certificate on compliance of conditions of Corporate Governance

To the members of Larsen & Toubro Limited

We have examined the compliance of conditions of corporate governance by Larsen & Toubro Limited for the year ended March 31, 2008 as stipulated in clause 49 of the Listing Agreement entered into by the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied in all material respects with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

SHARP AND TANNAN
Chartered Accountants
by the hand of
F. M. KOBLA
Partner
Membership No. 15882

Mumbai, May 29, 2008

INDEPENDENT FINANCIALS-10 YEAR HIGHLIGHTS

Rs.crore

Description	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999
Profit and Loss Account										
Gross Sales & Service	25187	17901	14966	13255	9807	9870	8167	7825	7424	7292
Other Income & Interest Income	676	522	519	732	461	302	277	310	242	198
Gross Revenues	25863	18423	15485	13987	10268	10172	8444	8135	7666	7490
Net Sales & Service	24855	17567	14735	13050	9561	9360	7726	7390	6956	6883
Profit before depreciation, interest and tax (PBDIT)	3405	2209	1573	1434	890	999	1042	1013	1008	951
Profit before tax (Excluding extraordinary/exceptional Items)	3068	1982	1235	933	769	510	401	339	369	441
Profit after tax (Excluding extraordinary/exceptional Items)	2099	1385	863	631	533	433	347	315	329	390
Extraordinary Items (Net of tax)	-	-	70	-	-	-	-	-	13	81
Exceptional Items (Net of tax)	74	18	79	353	-	-	-	-	-	-
Profit after Tax (PAT)	2173	1403	1012	984	533	433	347	315	342	471
Dividend including dividend distribution tax	572	428	349	407	225	211	174	178	180	180
Balance Sheet										
Share Capital	58	57	27	26	25	249	249	249	248	248
Reserves	9497	5711	4613	3343	2750	3314	3095	3751	3616	3458
Net Worth	9555	5768	4640	3369	2775	3563	3344	4000	3864	3706
Deferred Tax Liability (Net)	61	40	77	95	114	841	853	-	-	-
Loan Funds	3584	2078	1454	1859	1324	3176	3463	4263	3974	3359
Capital Employed	13200	7886	6171	5323	4213	7580	7660	8263	7838	7065
Net Fixed and Intangible Assets	3645	2225	1605	1083	1015	4056	4264	4671	4589	4555
Investments	6922	3104	1920	961	966	1160	885	813	774	489
Net Working Capital (NWC)	2630	2547	2625	3238	2185	2300	2484	2735	2439	2004
Ratios and Statistics										
PBDIT as % of Total Income @	13.08	12.14	9.45	8.08	8.94	10.39	13.12	13.33	13.94	12.44
PAT before extraordinary/exceptional items as % of Total Income	8.28	7.69	5.73	4.71	5.35	4.50	4.37	4.15	4.61	5.58
ROCE % *	20.58	20.15	16.05	14.17	13.52	7.27	6.84	6.74	7.38	7.51
RONW % **	28.21	26.84	21.88	21.05	20.66	12.91	9.69	8.18	8.85	11.13
Gross Debt:Equity Ratio	0.38:1	0.36:1	0.32:1	0.56:1	0.49:1	0.92:1	1.07:1	1.09:1	1.05:1	0.92:1
NWC as % of Gross Sales & Service	10.44	14.23	17.54	24.43	22.28	23.30	30.42	34.95	32.85	27.48
Current Ratio	1.19	1.27	1.38	1.58	1.47	1.58	1.81	2.11	2.07	1.84
Basic Earnings per Equity Share (Rs.)	75.59#	50.22#	38.03#	38.81#	21.41	17.42	13.95	12.67	13.74#	18.94#
Book Value per Equity Share (Rs.)	325.90	202.28##	334.01	253.91	216.74	139.15	130.25	157.31	152.13	146.48
No. of Equity Shareholders	5,78,177	4,28,504	3,27,778	3,23,908	3,65,824	4,90,628	5,09,922	5,13,562	6,05,031	7,56,852
No.of Employees	31,941	27,191	23,148	19,848	18,996	21,873	22,922	23,988	24,448	25,596

Figures for the years 1998-1999 to 2002-2003 include demerged Cement business

@ PBDIT before extraordinary/exceptional items is considered for calculation of the ratio

* ROCE {[(PAT before extraordinary/exceptional items)+Interest-Tax on interest]/Average Capital Employed}

** RONW [(PAT before extraordinary/exceptional items)/Average Net Worth]

\# Including extraordinary/exceptional items

\## After considering issue of bonus shares in the ratio of 1:1 during the year 2006-2007

LARSEN & TOUBRO
It's all about Imagineering

CONSOLIDATED FINANCIALS - HIGHLIGHTS

Rs.crore

Description	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Profit and Loss Account							
Gross Sales & Service	29561	20700	16747	14599	11107	10857	9195
Other Income & Interest Income	684	1071	577	696	488	267	239
Gross Revenues	30245	21771	17324	15295	11595	11124	9434
Net Sales & Service	29199	20336	16500	14379	10849	10327	8714
Profit before depreciation, interest and tax (PBDIT)	4018	3400	2042	1720	1215	1200	1287
Profit before tax (Excluding extraordinary/exceptional Items)	3384	2510	1472	1052	921	469	414
Profit attributable to Group Shareholders (Excluding extraordinary/exceptional Items)	2304	1810	1051	697	600	380	290
Extraordinary Items (Net of Tax)	-	-	70	-	-	-	-
Exceptional Items (Net of Tax) and minority interest	21	430	196	353	147	-	-
Profit attributable to Group Shareholders	2325	2240	1317	1050	747	380	290
Dividend including dividend distribution tax	572	428	349	407	225	211	174
Balance Sheet							
Share Capital	58	57	27	26	25	249	249
Reserves	10773	6865	4937	3290	2622	2968	2889
Net Worth	10831	6922	4964	3316	2647	3217	3138
Minority Interest	923	646	107	105	54	50	44
Loan Funds	12316	6432	3499	3454	2769	4701	4978
Deferred Tax Liability (Net)	122	107	127	138	214	913	928
Capital Employed	24192	14107	8697	7013	5684	8881	9088
Net Fixed & Intangible Assets	8523	5440	2973	2215	2140	5539	5824
Investments	5552	2478	1676	615	624	528	358
Net Working Capital (NWC)	10087	6172	4023	4141	2872	2715	2831
Ratios and Statistics							
PBDIT as % of Total Income @	13.40	13.97	11.01	9.31	10.77	11.37	14.46
PAT before extraordinary and exceptional items as % of Total Income	7.75	8.70	6.27	4.74	5.32	3.60	3.26
ROCE % *	12.83	17.19	15.05	13.00	12.03	6.48	6.11
RONW % **	26.53	30.46	25.39	23.35	20.47	11.97	9.24
Gross Debt:Equity Ratio	1.14:1	0.94:1	0.71:1	1.06:1	1.08:1	1.52:1	1.65:1
Net Debt:Equity Ratio	0.59:1	0.47:1	0.49:1	0.89:1	0.76:1	1.27:1	1.53:1
NWC as % to Gross sales	34.12	29.81	24.02	28.37	25.86	25.00	30.78
Current Ratio	1.65	1.59	1.53	1.71	1.58	1.63	1.86
Basic Earnings per Equity Share (Rs.)	80.87#	80.19#	49.49#	41.40#	30.02#	15.29	11.66
Book Value per Equity Share (Rs.)	368.62	242.77##	357.43	249.75	206.33	123.98	121.64

Figures for the years 2001-2002 & 2002-2003 include demerged Cement business

@ PBDIT before extraordinary/exceptional items is considered for calculation of the ratio

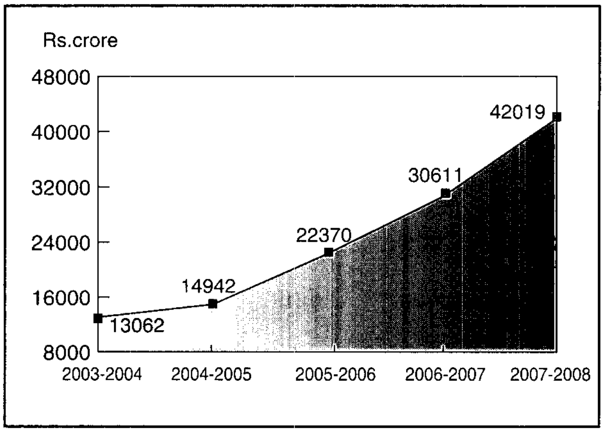
* ROCE {[(Profit available for appropriation before extraordinary/exceptional items)+Minority Interest + Interest-Tax on interest]/Average Capital Employed}

** RONW [(Profit available for appropriation before extraordinary and exceptional items)/Average Net Worth]

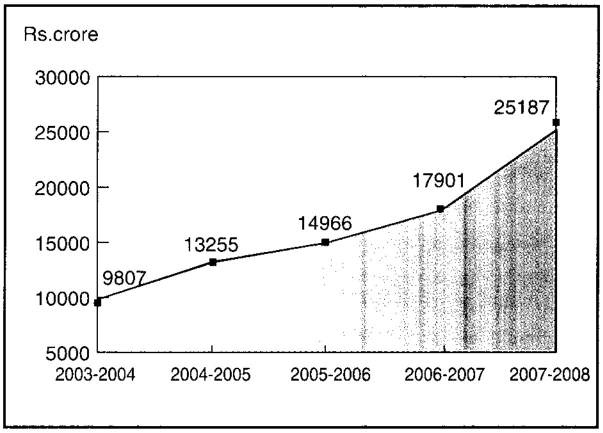
Including extraordinary/exceptional items

After considering issue of bonus shares in the ratio of 1:1 during the year 2006-2007

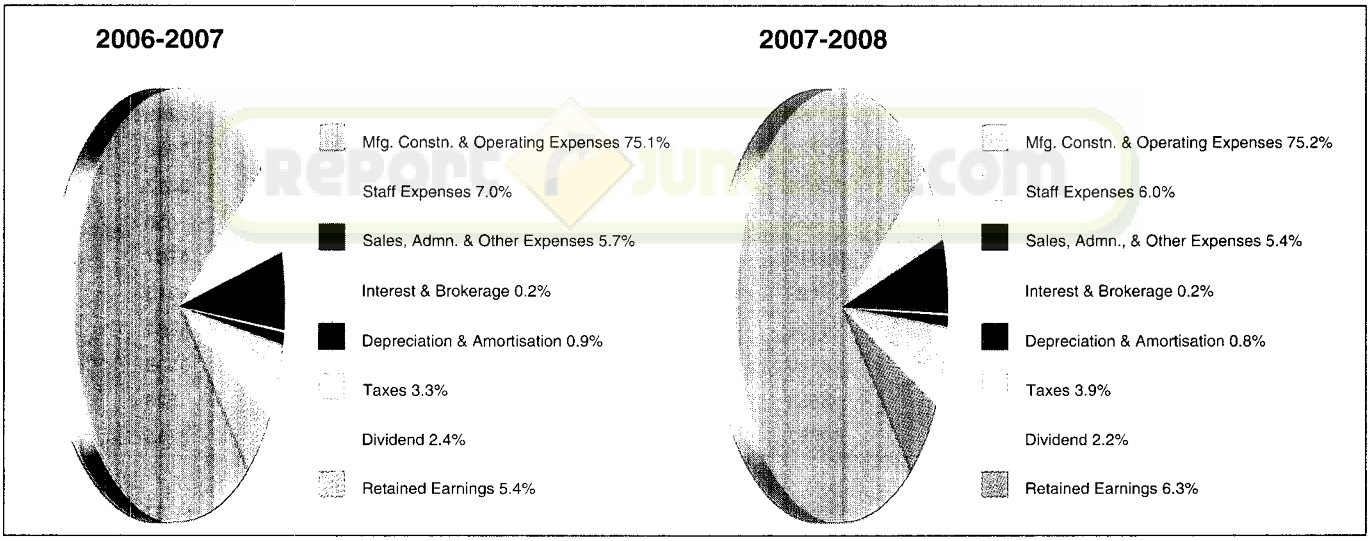
L&T-ORDER INFLOW



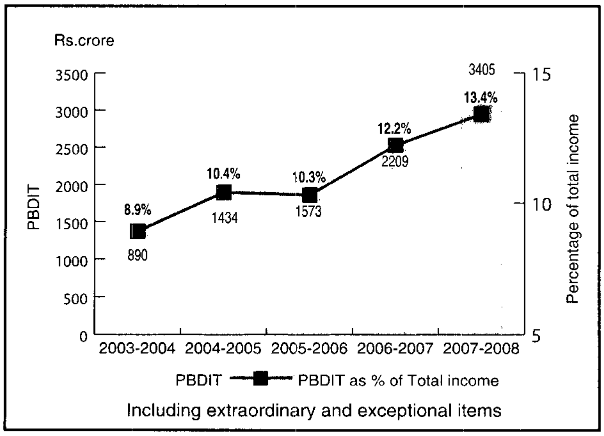
L&T-SALES



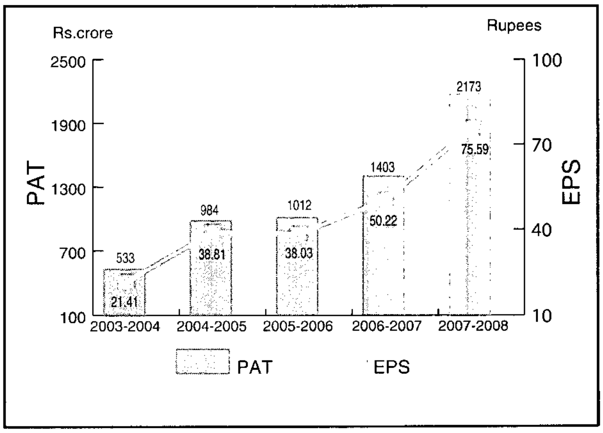
L&T-DISTRIBUTION OF TOTAL INCOME



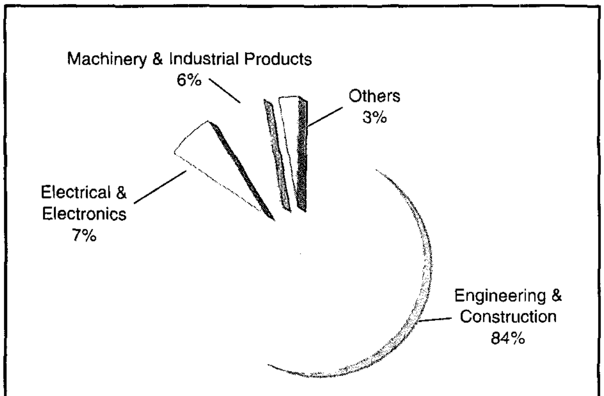
L&T-PBDIT AS % OF TOTAL INCOME



L&T-PAT & EPS

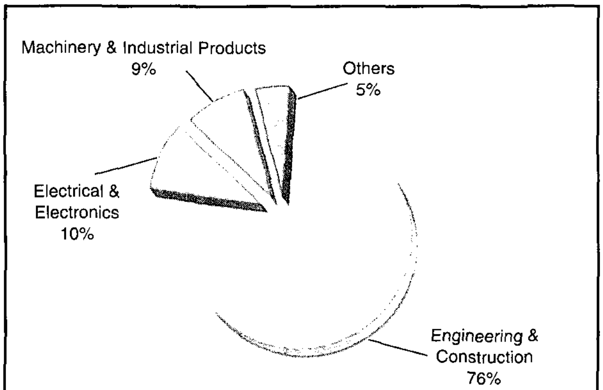


L&T-SEGMENT-WISE ORDER INFLOW 2007-2008



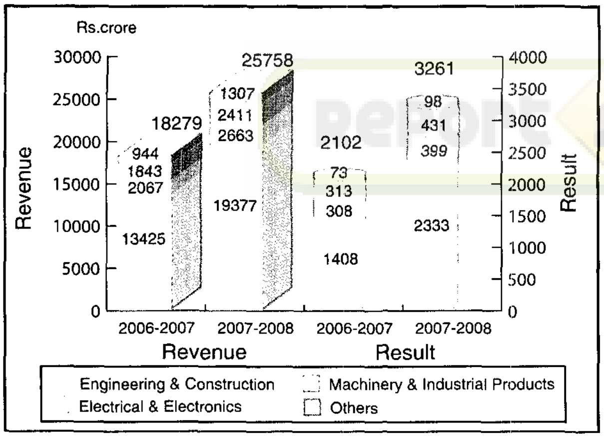
Total order inflow Rs.42,019 crore

L&T-SEGMENT-WISE CUSTOMER SALES 2007-2008

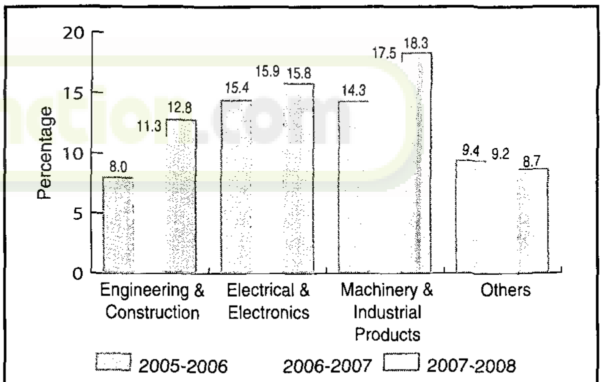


Total customer sales Rs. 25,187 crore

L&T-SEGMENT-WISE REVENUE & RESULT

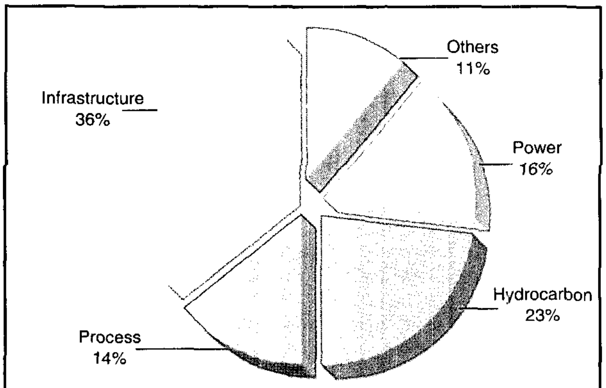


L&T-SEGMENT-WISE EBITDA MARGINS*



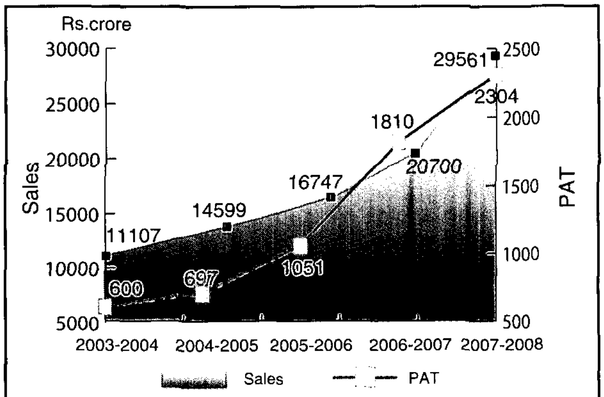
*Earnings before interest, tax, depreciation & amortisation as percentage of Segament Revenue

L&T-SECTOR-WISE ORDER BOOK AS AT MARCH 31, 2008



Total order book Rs.52,683 crore

L&T CONSOLIDATED - SALES AND PAT



PAT excludes extraordinary/exceptional items

Management Discussion & Analysis

Review of the Economy

The Eleventh Five Year Plan (2007-2008 to 2011-2012) has set a healthy target of average 9% growth in GDP, following average 8.6% growth achieved in the last 4 years. The Indian economy has confidently moved to a higher growth plane in the current fiscal year 2007-2008 by recording growth over 8.5%. Macro economic fundamentals continue to inspire confidence of the industry players and are likely to support the investment momentum in the economy. The industrial sector, particularly the manufacturing and construction sectors have surpassed growth expectations set in the Tenth plan. While manufacturing sector has grown at an average rate of 9.1% during the last 5 years, the construction sector recorded an impressive 10.8% growth during the same period.

While continued lower growth in agriculture is a matter of concern for the nation, inflationary tendencies in the economy are also impacting the business sentiments. With a shortfall in domestic supply and hardening of oil prices, the prices of commodities including food have risen sharply, contributing to the present spurt in inflation.

There are tell-tale signs of a slow down in the US and the EU economies. While the growth in the US economy is expected to be lower and negative in some quarters, the EU economy is likely to witness a 1% drop in the growth to 1.6% in 2008. The slow down in these economies is expected to impact the Asian economic growth moderately.

Oil rich economies, particularly those in the Middle-East have ramped up investment in the oil producing facilities and general infrastructure, on the back of sustained rise in the oil prices. Riding on this boom, the country's international trade with this region has risen over the years consistently and is expected to strengthen further with the joint efforts of India and oil producing nations.

Infrastructure & Capital Goods Industry

Indian industry had a higher share of 30% in the annual average growth achieved in GDP during the last 5 years. A notable feature of this growth phase is the significant uptrend seen in the manufacturing, construction, transport and communication sectors. The capital goods sector has grown at an accelerated pace, over a high base attained in the previous year. It is heartening to note that foreign direct investment during the fiscal year 2007-2008 increased to USD 25 billion and is expected to scale up with further opening up of core and infrastructure sectors.

Inclusive development of the economy, supported by a strong infrastructure is a pre-requisite for sustaining the growth momentum and improving an all-round quality of life. The challenges in realising this goal are quite immense, ranging from physical process of land acquisition for rapid industrialisation to more complex challenges of project financing and environment management. With the Government commitment to a faster pace of reform and creating a slew of world class infrastructure, the industrial outlook remains encouraging.

As a positive indication towards this, the country has witnessed a rapid increase in private investment in infrastructure over the last five years. The estimated investment in infrastructure has now been pegged at USD 500 billion by the end of the Eleventh Five Year Plan. This is both a challenge and an opportunity for the Government as well as for the private sector.

Business Performance

On the back of a very healthy order book, the Company delivered impressive results for the year 2007-2008. Revenues registered a robust growth of 41%. All the business segments have reported smart increase in both revenues and profitability, despite continued input cost hikes and a sharp appreciation of rupee vis-a-vis US Dollar by over 10% during the year. The upturn in the performance is largely attributed to judicious selection of project orders and many strategic initiatives undertaken in improving operational and cost efficiencies. The ramp up of the scale of operations through larger size project order execution also enabled the turnkey and construction businesses to improve the profitability.

With the current pace of infrastructure development in the country and in the neighbouring regions, and the nation emerging as the favoured destination of the multi-national companies to establish their manufacturing hubs, the future growth of capital goods industry appears promising. The company's businesses are geared up to harness these challenging opportunities in the near to medium term.

Strategic Initiatives

Under the current Strategic Plan "Project Lakshya 2010", the Company has identified and implemented various strategic initiatives encompassing development of product/ technology capabilities, risk management, M&A & HR functions of the Operating Divisions. Various operational excellence initiatives undertaken by these businesses have helped not only in improving market reach and reducing cost of operation but also in streamlining business processes. Rigorous implementation of the above initiatives has enabled the company to achieve ambitious growth targets set at the inception of plan and meet the growing aspirations of the stakeholders.

Perspective Plan 2015

Due to encouraging changes in the opportunity landscape, the Company has embarked on a project to look beyond 2010 and formulate a Perspective Plan till 2015. This exercise is critical since it will align the Company's investments (capital and manpower) to the long-term trends, while addressing emerging opportunities and unseen challenges. This planning process is in an advanced stage and when completed and implemented, will help in creating greater value for the shareholders.

Leadership Development

The Company recognises the importance of human leadership in realising its growth ambitions. Towards achieving this, the Company has initiated a structured leadership development program to identify leaders and develop them. This exercise is expected not only to meet short-term operational challenges but also create a band of leaders to take on larger responsibilities in future.

Governance Structure

During early stages of Project Lakshya, the Company had envisioned an organisation structure with greater alignment towards industry/customer segments. This vision is now being realised by the creation of 12 Operating Companies (non legal entities), each of which will be governed by a board responsible for its strategic/operational decisions and performance. To ensure greater empowerment, each Operating Company will have independent support functions such as F&A, HR, Supply Chain Management, Corporate Centre, etc. This new structure will provide a platform for sustained value creation envisaged in the strategic plan.

Acquisition / New Business forays

Apart from the growth through organic route by way of new capacity creation for product manufacturing, the Company has been exploring opportunities of growth through inorganic route as well. During the year, the Company successfully acquired TAMCO Corporate Holdings Malaysia, and its 3 international subsidiary companies, whose products in the medium voltage (MV) switchgear segment are already accepted world wide. The acquisition will provide an ideal platform to pursue the Company's domestic and international ambitions in the MV switchgear products even as the brand

is already established in 30 countries including the Middle East.

The Company also finalised the new location of its proposed Shipyard, signaling its long-term commitment for ship building, which started at its Hazira yard manufacturing light commercial vessels. Recently, a Memorandum of Understanding was signed with the Tamil Nadu Industrial Development Corporation for commencing the new Shipyard project at Kattupalli, Thiruvallur, under a joint venture arrangement with TIDCO. The Company plans to build large ships of up to three lakh DWT and expects to sail out its first ship from this venture in 24 to 30 months' time.

Capitalising on its core strengths in the construction of large commercial properties, the Company bagged one of the largest contracts for building an integrated commercial complex at Seawoods Station, Navi Mumbai. The world class complex will be designed with innovative and unique curvatures and vents so as to utilise eco-friendly natural light, and will have commercial offices, hospitality, retail properties & ultra modern railway station.

With the opening up of infrastructure development to private sector, the financing of mega and complex projects has emerged as one of the major business opportunities. Realising this potential, the Company has entered into infrastructure project financing, through a wholly owned subsidiary. This is another step in its endeavor to vertically integrate the entire chain of infrastructure business. The venture is expected to focus on mid to large infrastructure projects with an annual target of Rs. 2000 crore disbursements.

Power has emerged as a thrust area for not only the country, but also for an engineering giant like L&T, which has over the years, built expertise in power plant construction and erection. In order to establish a strong presence in the power space, the Company has entered into a joint venture for manufacture of super critical boilers and turbines with Mitsubishi of Japan. The process of land acquisition for construction of the manufacturing plants at Hazira, Gujarat is at an advanced stage of completion.

The Company is actively pursuing new business opportunities in the Railways sector. The spectrum of services comprises engineering design and consultancy, turnkey project execution, both on EPC as well as BOT route, manufacture of critical assets and provision of operation and maintenance services. The new business unit formed for this purpose will leverage the Company's highly professional skills, supported by its design and engineering capabilities to exploit the emerging business potential in this sector.

All the above strategic initiatives will ensure that the Company is able to fully harness the slew of opportunities in the various fields of its operations. Considering the impressive track record of the Company during the past few years, the confidence level of the businesses in achieving the challenging "Perspective Plan 2015" targets has soared. In this backdrop, the Management is pleased to present the analysis of Division wise performance for the year 2007-2008 and its outlook for the future. This outlook is based on the present assessment of the current business environment. It may vary depending on the changes in the underlying economic environment, both in India and abroad.

The Company's businesses have been classified into 6 Operating Divisions viz; (i) Engineering Construction & Contracts, (ii) Engineering & Construction [Projects], (iii) Heavy Engineering, (iv) Electrical & Electronics, (v) Machinery & Industrial Products and (vi) Technology Services. The respective Division wise performance analysis is given separately.

Year 2007-2008 at a Glance

L&T

- New Order inflow at Rs. 42,019 crore in Current Year as against Rs. 30,611 crore in Previous Year (USD 10.47 Billion & USD 7.63 Billion respectively) – *37% growth year-on-year*
- Order Book as at March 31, 2008 Rs. 52,683 crore as against Rs. 36,882 crore as at March 31, 2007 (USD 13.13 Billion & USD 9.19 Billion respectively) – *43% growth year-on-year*
- Gross Sales at Rs. 25,187 crore in Current Year as against Rs. 17,901 crore in Previous Year (USD 6.28 Billion & USD 4.46 Billion respectively) – *41% growth over 2006-2007*
- Segment wise composition of revenues:

  Engineering & Construction Segment – *75.2% in Current Year* as against *73.4% in Previous Year*

  Electrical & Electronics Segment – *10.3% in Current Year* as against *11.3% in Previous Year*

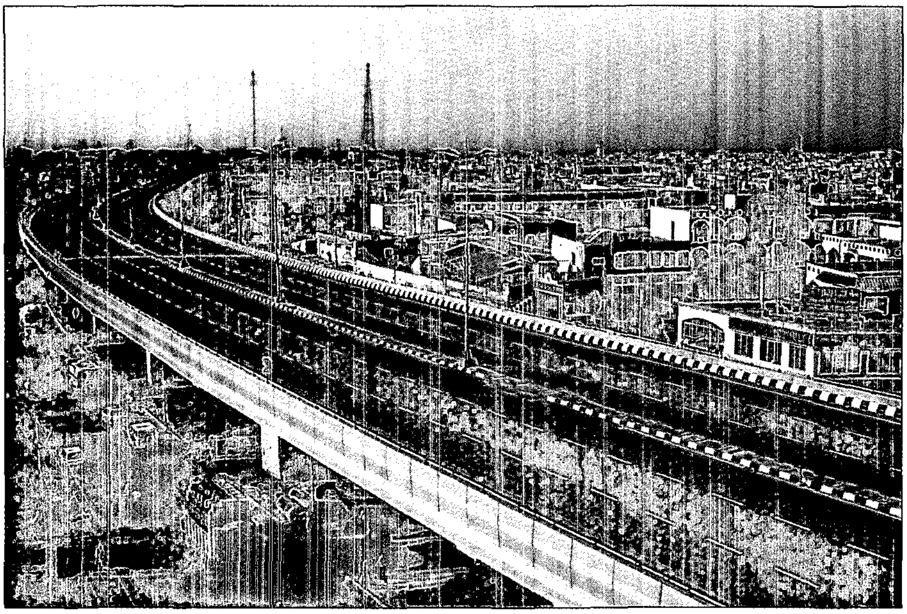
  Machinery & Industrial Products Segment – *9.4% in Current Year* as against *10.1% in Previous Year*

  Others – *5.1% in Current Year* as against *5.2% in Previous Year*
- PBDIT at Rs. 3,405 crore in Current Year as against Rs. 2,209 crore in Previous Year (USD 848 Million & USD 551 Million respectively) – *up by 54%*
- PAT at Rs. 2,173 crore in Current Year as against Rs. 1,403 crore in Previous Year (USD 542 Million & USD 350 Million respectively) – *up by 55%*
- Gross Debt Equity ratio of 0.38 : 1 *(Previous Year 0.36 : 1)*

L&T Group

- Gross Sales at Rs. 29,561 crore in Current Year as against Rs. 20,700 crore in Previous Year (USD 7.37 Billion & USD 5.16 Billion respectively) – *43% growth over 2006-2007*
- PAT excluding exceptional gains at Rs. 2,304 crore in Current Year as against Rs. 1,810 crore in Previous Year (USD 575 Million & USD 451 Million respectively) – *up by 27%*

Note: RBI reference exchange rate of Rs. 40.12 per USD prevailing as at the end of March 31, 2008 has been applied for conversion.



India's longest six-lane flyover , built by L&T on NH1 at Panipat

K. V. Rangaswami
Whole-time Director & President (Construction)

ENGINEERING, CONSTRUCTION & CONTRACTS DIVISION

Overview

Engineering, Construction and Contracts Division (ECCD) undertakes engineering design and construction of infrastructure and industrial projects covering civil, mechanical, electrical and instrumentation engineering disciplines. With many of the Country's prized landmark constructions to its credit, ECCD, India's largest construction organisation, uses state-of-the-art design tools and project management techniques. Supported by a track record of over sixty-five years, covering all industrial sectors and infrastructure projects, ECCD has the expertise to undertake lumpsum turnkey construction with single-source responsibility. The Division takes pride in announcing that it has secured the 47th rank amongst all the Construction Companies across the globe [*source: Engineering News Record (ENR)*]. The current year's robust performance of the Division reiterates the Company's global stature in construction.

Business Environment

The Indian Construction Sector is slowly and surely evolving into a strong, mature and industry-driven engine to achieve sustained economic growth.

Reflecting the buoyancy in the overall economy, the Indian construction sector has been growing at more than 12% p.a. in the last four years, i.e. almost 1.5 times the country's overall growth. The organised segment is growing even faster as construction industry consolidates with large project sizes.

However, relatively higher inflation levels in the country and slowdown in global economic growth, especially in the US seems to dampen the favorable economic climate. Notwithstanding such factors, the growth momentum in India is set to continue during 2008-2009 and beyond, which augers well for the construction sector.

Going forward, the construction boom which is in the initial phase, in India would further help accentuate the economic growth, once the regulatory framework and financial markets stabilise. The sector is slated to grow at an average of around 10-12% in the next five years.

Opportunities & Challenges

Out of the investments of USD 500 billion estimated under the Eleventh Five Year Plan in the **Infrastructure Construction business,** the construction component is expected to be around USD 250 – 275 billion. Presently, most of the **core industries** are functioning at their peak capacity. New capacity creation in the major industries viz; steel, cement, petrochemicals, etc. would benefit the construction industry. With rapid urbanisation and the commercialisation of the retail industry, demand for **housing/ commercial** space is expected to emanate from new areas/regions beyond the established metropolitan cities.

As in India, the global construction market has also flourished in the last 3 years. The

ENR 225 top global construction & engineering firms aggregated $651.15 billion in revenue in 2006 (15.7% growth) and this momentum is expected to have continued in 2007. However, in 2008 the growth may witness moderation and squeeze in margins given the slowdown in the US and European housing markets, increasing construction and wage costs. Given the inherent cyclical nature of the construction market, the global construction majors usually de-risk their revenue model by (i) diversifying across geographies and product lines; and (ii) adopt the concession-construction business model, where the more predictable inflows from concession projects even out cyclical fluctuations in construction. It is expected that the global construction firms will aggressively diversify into new growth centers like India and the Middle East. The construction Industry in the Gulf Co-operation Council (GCC) countries is expected to witness strong growth with huge investment in social and industrial infrastructure.

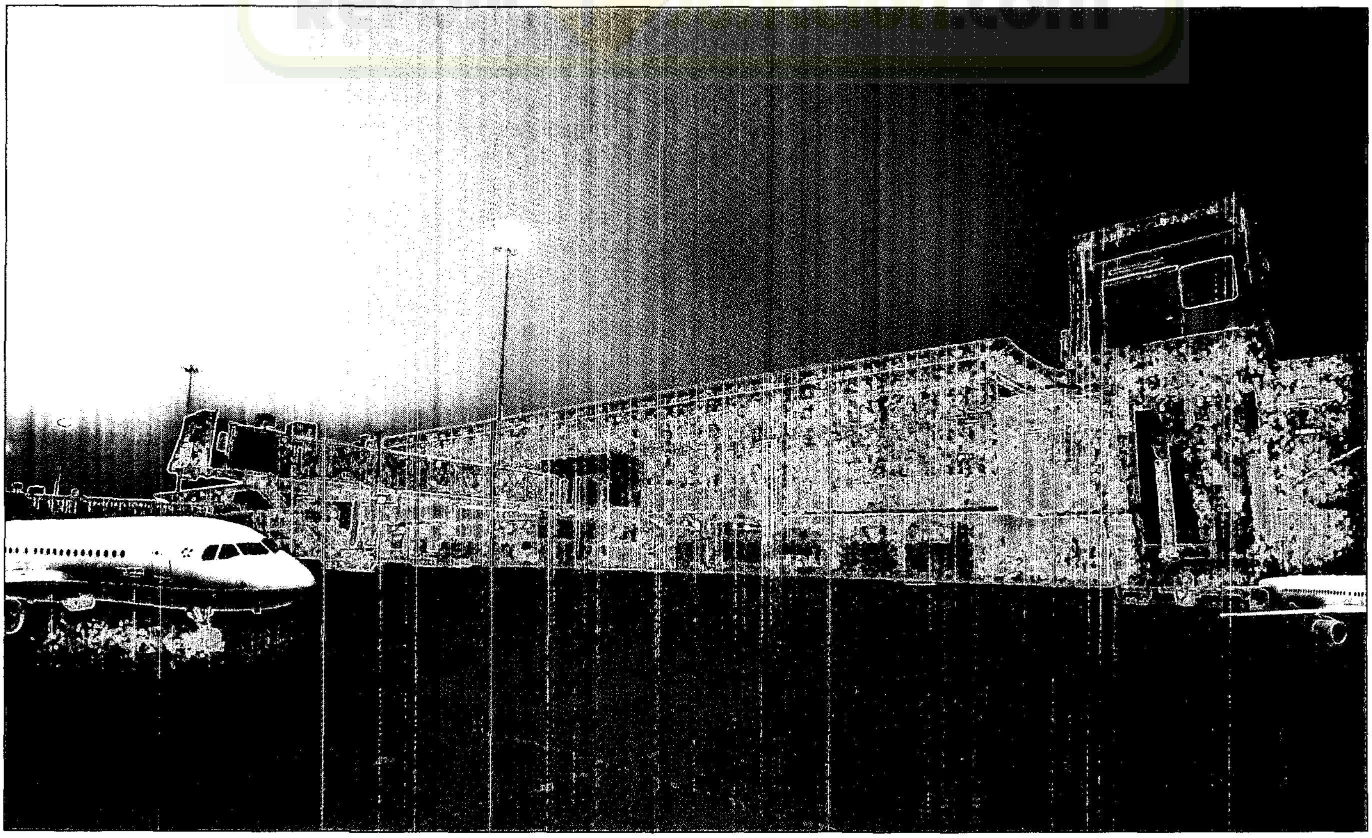
The boom in the economy & the construction industry in the last few years has also led to the growth of the domestic competitors. ECCD has successfully strengthened its pre-eminent position in the construction industry both in terms of market share and profitability. The Division is operating across different business lines and geographies which give it a unique edge both in terms of its organisation and operations over its competitors.

The construction industry in India is surely on a high growth path, though at times showing a cyclical trend. Thus, sustained success would crucially hinge on the Division's capacity to capitalise on the emerging opportunities and scale-up each business line to adjust to the demands for execution/management of bigger and more complicated projects. Improvement of operational efficiency through better resource allocation & utilisation and technological up-gradation & innovation would be crucial for strengthening the profitability while sustaining relative advantage with respect to the existing and potential competitors.

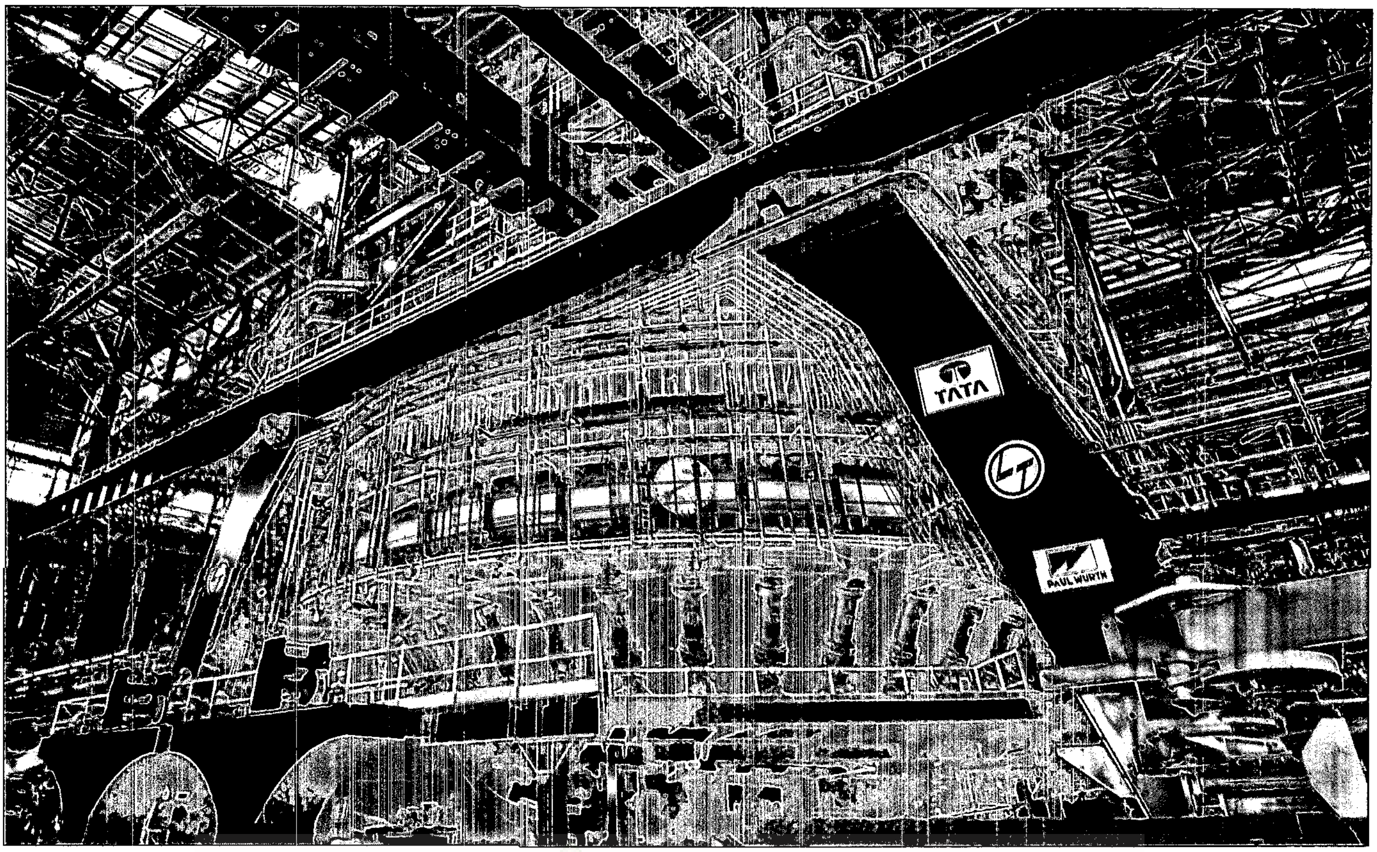
Business overview for the major sectors of the Division is presented below:

Industrial Projects & Utilities

The Sector continued its success story in the year 2007-2008 bagging large value orders in Minerals and Metals and Bulk Material Handling segments and executing them well ahead of contractual completion schedule. The sector is currently executing the highest number of



L&T is leading the airports revolution in India. Picture shows the new airport terminal at Hyderabad.



India's biggest blast furnace built by L&T in Jamshedpur - in record time.

Blast Furnace and Sinter Plants for the Country. A unique and complex project of 17 KM long conveyor system for Lafarge in Bangladesh was completed during the year 2007-2008.

The outlay towards providing water to the common public by Central and State Governments is on the rise. This provides an ample opportunity for the project business growth of Water & Effluent Treatment. Huge grants by foreign funding agencies like JBIC and ADB for water supply & sewerage projects has added fillip for a positive outlook in this business.

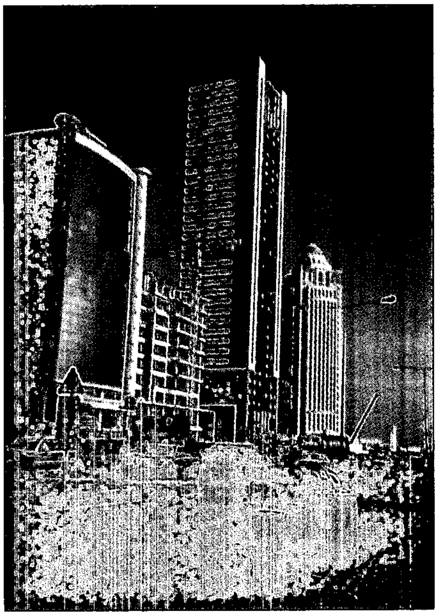
Volatility in the input cost (mainly steel products) and the need for developing engineering skills are the key risks for the sector, which are adequately addressed by way of appropriate escalation clauses in the contracts and periodic up-gradation of skills through lateral recruits.

Power Transmission & Distribution

The efforts of the Government in bridging the gap between demand and supply for power cannot be fruitful unless the distribution of the same to the end users is achieved. This provides an excellent opportunity for the Electrical & Instrumentation and the Transmission Lines businesses for furthering the growth prospects. The sector has also achieved the technical improvements in the methodology of track laying for Railway Electrification and Signaling. The Transmission Line business is expected to focus in the coming years on execution of projects through BOOT route. The Sector has successfully explored the GCC market and has shown a significant growth in the revenues. The key success factor for this business is managing the working capital, as most of the clients are State Electricity Boards and PSUs, and are prone to liquidity crunch.

Buildings & Factories (B&F)

During the year 2007-2008, B&F Sector continued its growth trend by bagging large value turnkey, Design and Build orders in the Airports, IT Park & commercial space, health & leisure structures & residential and factory building segments. Thrust has been given for securing negotiated contracts, key accounts and mega projects management with focus on providing total building solutions to the customers at a single point. During the year under review, this



L&T is helping to build commercial complexes and luxury condominiums in the Gulf.

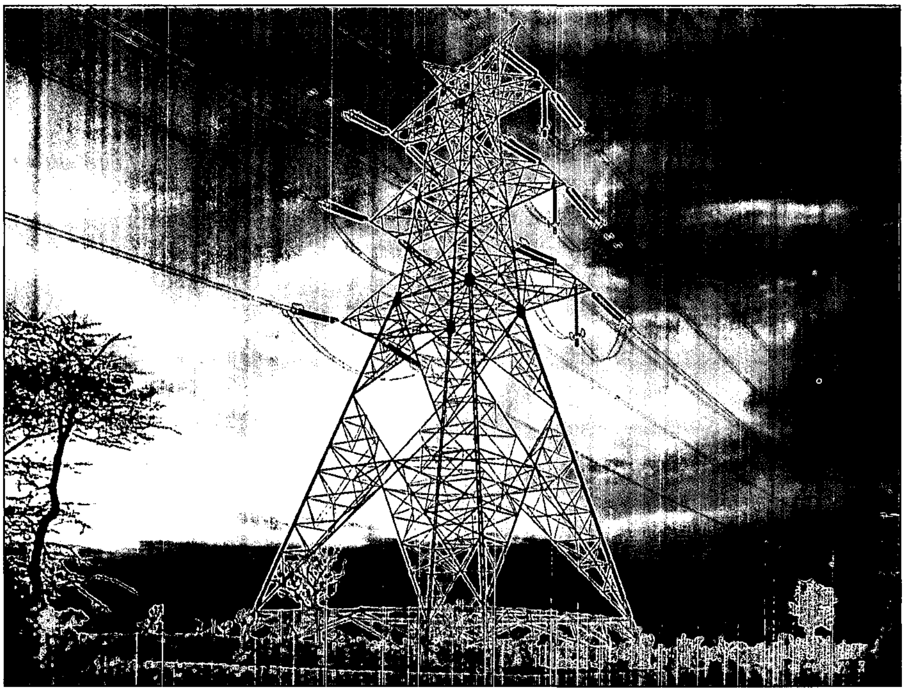
Sector successfully completed the Hyderabad International Airport and the Bangalore International Airport projects. It also bagged large order for Design, Engineering & Construction of Mumbai International Airport. The execution of Delhi International Airport is underway.

Transportation Infrastructure

The Sector has shown a robust growth in its revenues in the year under review, particularly in BOT projects. With the thrust in providing infrastructure facilities by the Centre and State Governments, the growth potential of the sector is encouraging. The Sector has completed Runways for Hyderabad and Bangalore International Airports. The Runways for the Delhi International Airport is on schedule. Panipat Flyover and Second Vivekananda Project across River Hoogly have been completed successfully during the year. The Government's continued thrust on developing Roads in Public Private Partnership (PPP) mode, significant private investment in Container Terminals, development of green field ports expected along the coasts of Gujarat and Maharashtra and development of green-field Shipyards and Metro Rail Projects assure ample business opportunities for this Sector.

Hydel & Nuclear

The sector is heavily equipment oriented and concentrates on large value orders from PSU clients like NHPC, NPC and NTPC. The Indo-US Nuclear Treaty is expected to give a thrust to growth in the nuclear business of the Division. Many IPPs are being offered in States like Arunachal Pradesh, Himachal Pradesh and Meghalaya. Considerable thrust is expected also on Irrigation Projects of both Govt. of India and State Governments, which will augur well for the growth of the sector. An exclusive Engineering & Design Centre has been set-up to meet the Government's plans to establish 18000 MW proposed in the Eleventh Five Year Plan. The sector has performed well in terms of growth in revenues.



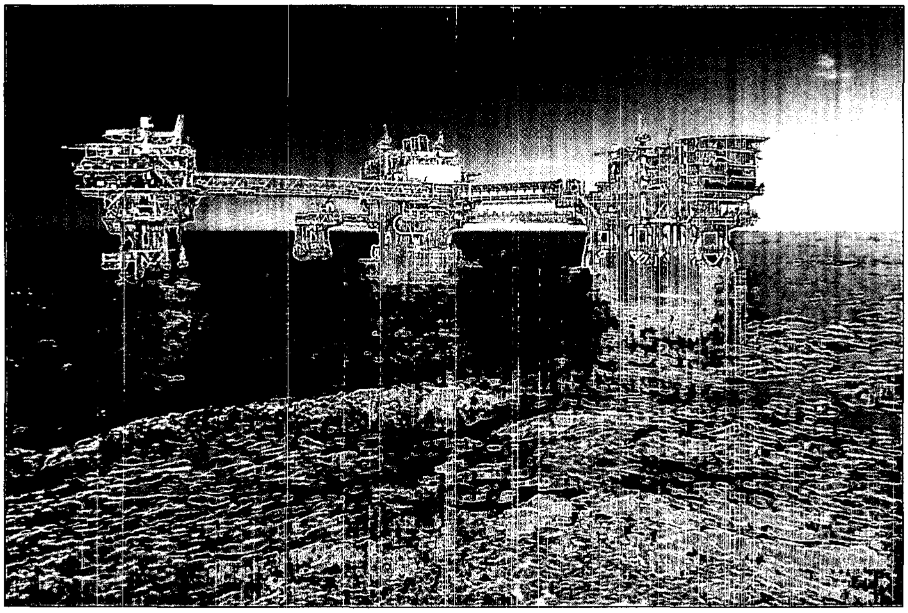
400 kV DC and S/C transmission line built by L&T in Rajasthan.

Significant Initiatives

The Division continues to target large value projects to be able to harness the full potential of its engineering & execution capabilities. It has a selective geographical approach and has successfully institutionalised and put in place proper documentation process for pre and post bid risk reviews. It has launched the verticalisation process within the Division. Each Vertical is expected to upgrade as an independent Company with end-to-end responsibility for business development, sales and profits. The Division has established Skilled Training Institute across the Country to meet the huge requirement of skilled category workmen to meet its growth ambition.

Outlook

The current Order Book gives sufficient confidence for the growth in revenues in the year to come. The policies of the Government to build international standard infrastructure facilities and the capital outlay by industrial houses in core sectors, have opened up adequate opportunities for a sustained growth of the Division in the near horizon. The buoyancy in the oil prices augurs well for the Division's expansion opportunities in the Gulf. The Division therefore is upbeat on growing opportunities for all its businesses in the medium term.



Oil is the lifeblood of the economy. L&T executes complete oil and gas projects for oil fields in India and abroad.

K. Venkataramanan
Whole-time Director & President (Engineering & Construction Projects)

ENGINEERING & CONSTRUCTION (PROJECTS) DIVISION

Overview

The Engineering & Construction [Projects] [E&C(P)] Division delivers world class Engineering, Procurement & Contracts (EPC) solutions in the Oil & Gas, Petrochemicals, Power and Water space and addresses national and international opportunities in these areas. It undertakes single point responsibility for execution of lump-sum turnkey projects. E&C(P)'s expertise and experience encompasses every phase of the project – from front end engineering and design, fabrication, project management, construction, installation and commissioning. These integrated strengths are backed up by a culture that allows for flexibility of operation and agility in response.

E&C(P) is expanding its overseas operations to realise its mission of becoming a major EPC player in the Middle East and South East ASEAN countries. The measures taken include setting up new overseas offices, alliances with local business groups and building execution capabilities. During the year under review, the Division also undertook significant initiatives to strengthen its capabilities in Engineering and Fabrication.

These initiatives coupled with some of the key inherent strengths listed below are aimed at advancing the Division in its journey towards profitable and sustained growth.

Strengths

- Over 4,500 qualified and experienced personnel from various disciplines.
- Basic Engineering capabilities.
- Technology and Innovation Centres.
- State-of-the-art CAD facilities with sophisticated plant design systems.
- Conformance to globally recognised Management Systems Standards.
- Integrated operations through Enterprise-wide Resource planning (ERP) system.
- Turnkey construction resources.

Business Environment

Market Overview

Sustained high crude oil prices have ensured a continual boom in Oil and Gas sector. In India, this upsurge led to new investment vistas for the exploration and production companies. Optimum monetisation of domestic reserves has gained priority in order to contain the huge import bill. Setting up of new Wells, development of marginal fields and productivity improvement projects have brought buoyancy to this sector. This has brought in its wake significant EPC prospects for the Division.

In Mid and Downstream sector continued implementation of Green Fuel and Residue Upgradation projects offered EPC opportunities. Implementation of Green and Brownfield projects as also the feedstock conversion projects created opportunities for the Division. On the International front, the Gulf Region with

its high investment prospects continues to be a key potential market area.

The reform roadmap as enacted through the Electricity Act in 2007 is under implementation. Efforts are underway to address the concerns over delays in implementation of power sector reform initiatives. Three Ultra Mega Power Projects have been awarded and the balance are being pursued on a fast track basis, creating buoyancy in this sector. During the year under review, L&T became the first private sector company to be officially promoted as power equipment manufacturer for large super critical thermal power plants.

Challenges

Competition from the existing and emerging local and International EPC players continues to pose challenges to the Division in domestic markets. Majority of the EPC players are seen building their capabilities in order to enhance their competitive strengths. The Division has to reckon with aggressive bidding strategies from the new entrants. In case of Power Projects, financial closures, fuel linkages and deliveries of critical equipment continue to be challenging.

Increased competition also translates into serious pressures on cost. These added to soaring commodity prices and volatility of exchange rates pose a serious challenge to cost management. In Hydrocarbon sector, budgetary constraints of the Customer are an added factor to be dealt with, which leads to choice of conventional route over EPC model of execution. Stringent pre-qualification norm in International business is yet another challenge which is being addressed. Despite the aforesaid challenges, the Division achieved a robust Order Inflow of over Rs. 7,600 crore during the year.

Significant Initiatives

Capacity & capability enhancement, operational excellence, growth and cost optimisation are some of the thrust areas identified by the Division. Significant progress has been achieved in these initiatives already under implementation.

The following is a summary of some of the key initiatives:

1.Capacity enhancement

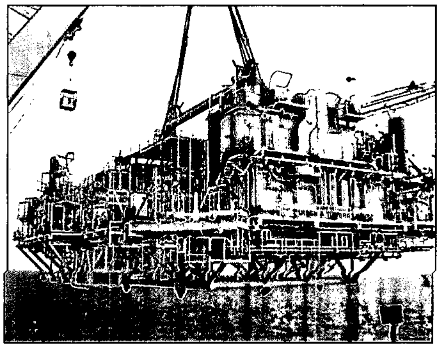
- Modular Fabrication Yard at Oman is fully operational. Made a good beginning by supporting jobs under execution.
- Progress on capacity expansion at Modular Fabrication facility at Hazira is on schedule.

2. Capability enhancement

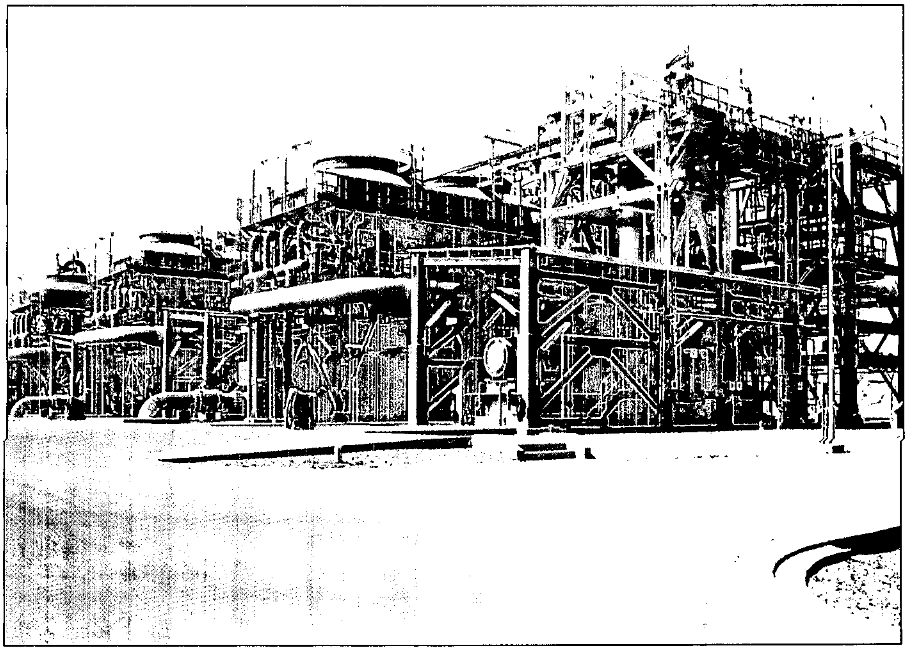
- Setting up of manufacturing facilities for Supercritical Boilers and Turbines in joint venture with Mitsubishi Heavy Industries at Hazira gained significant momentum. Boiler manufacturing facility expected to be operational by September 2009.
- Strengthening of Engineering capabilities at Mumbai, Vadodara and Faridabad centres.
- Joint venture formed for Pipeline Engineering with Gulf Interstate Engineering Company.
- Coal sourcing initiatives underway for acquisition of coal assets to support the Division's plans in Power sector.

3. Operational Excellence

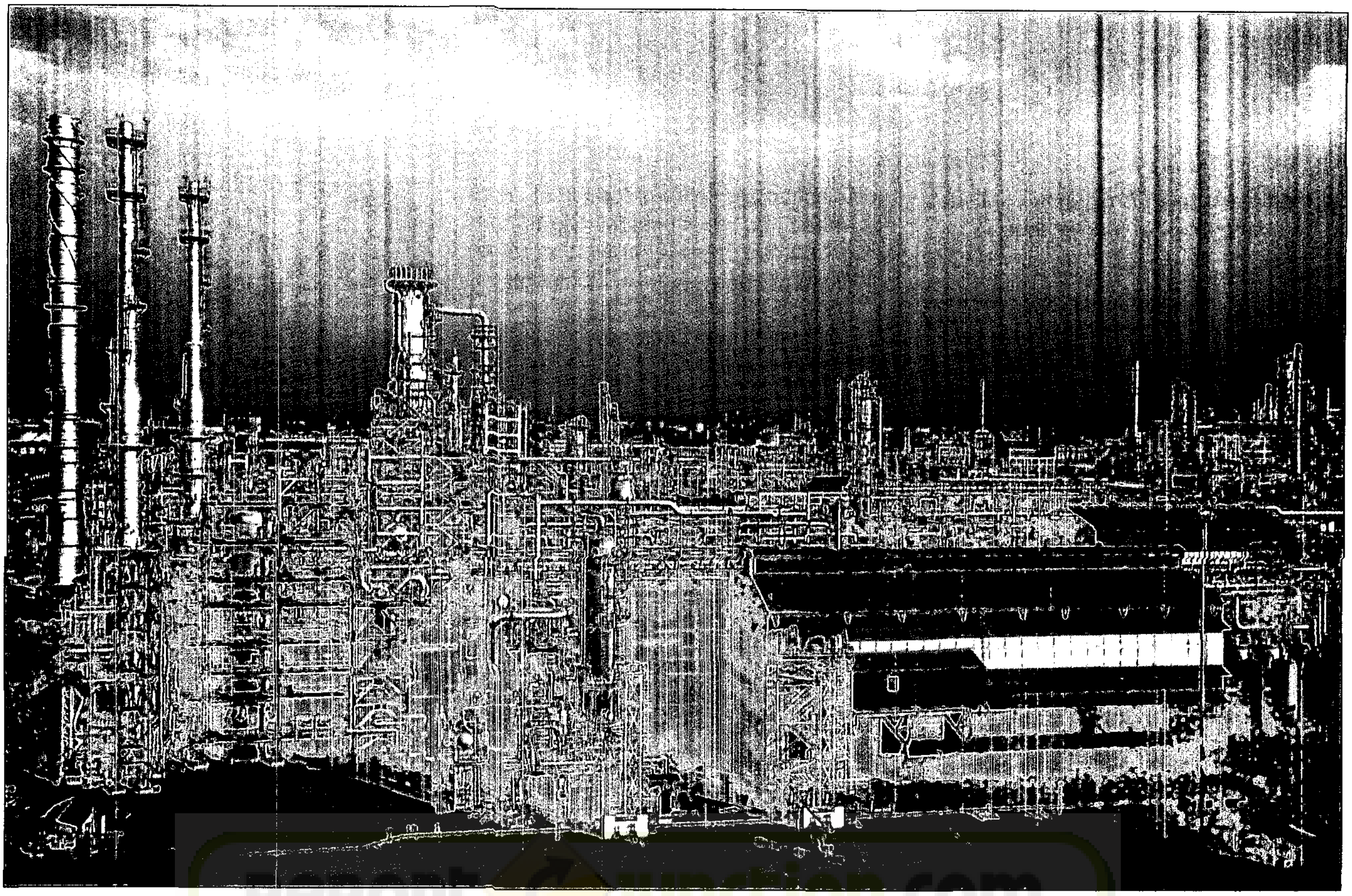
- Procurement team set up in China to achieve cost optimisation



A platform for the Bunduq oil & gas project, Abu Dhabi.



Oil & gas project executed by L&T for the GASCO plant at Bu Hasa, Abu Dhabi.



Critical sections of the refinery complex at Panipat have been built by L&T on an Engineering, Procurement & Construction basis.

- Extensive use of frame agreements and rate contracts to enhance procurement efficiencies
- Standard Operating Procedures formulated for entire gamut of Project Execution/Management functions

4. *Strengthening International presence:*

- Full-fledged Business Development and Proposal Engineering teams set up to exploit business opportunities in GCC countries to step up International business
- Engineering and Project Management Centre being set up in Sharjah to achieve ambitious growth plans in Middle East
- Joint Ventures with Local Partners formed to pursue opportunities in GCC countries

5. *HR Initiatives*

- Emphasis on skill building through capability and leadership development programs.
- Focus on optimum utilisation of existing resources by expanding career options.
- Training and certification of project management executives as Qualified Project Management Professionals by International Project Management Association, UK.
- Focus on acquisition of talents with international project management competencies.

6. *IT Initiatives*

- Implementation of state-of-the-art data storage and an Information Lifecycle Management system.
- Step towards 'Green Data Centre' with the implementation of Server Virtualisations to reduce power and emissions helping the environment.
- Improved efficiency, availability, flexibility and manageability of IT infrastructure.
- World-class IT infrastructure with internet connectivity and video conferencing facilities

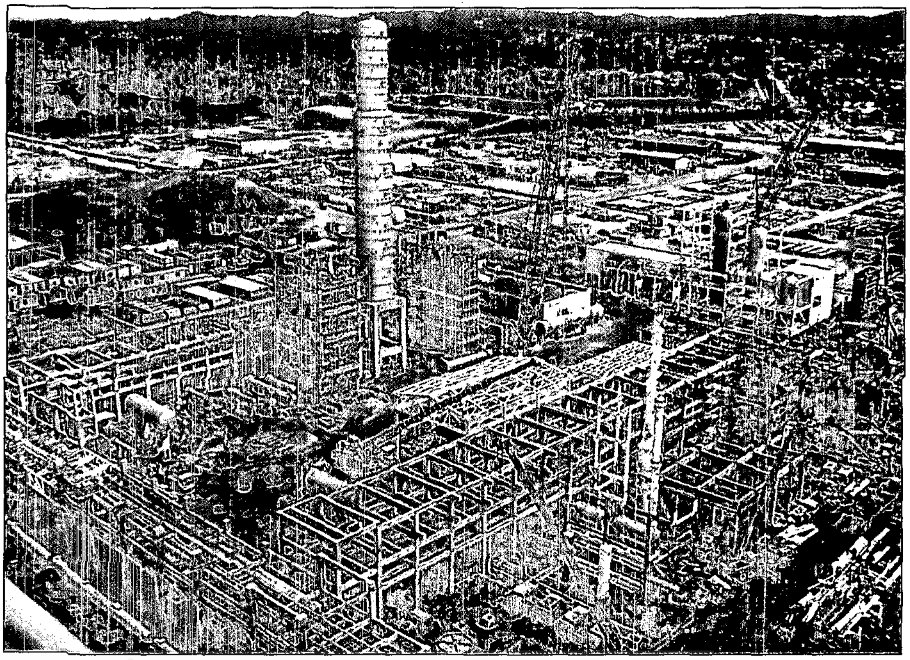
Business Outlook

On the domestic front, the hydrocarbon Industry continues to present significant business opportunities. The National petroleum policy emphasises on boosting investment in the refinery sector. Large spending is planned in public and private sectors towards capacity enhancement, residue up-gradation & fuel quality improvement projects. Huge investments are planned in the upstream sector during the Eleventh Plan period (2007-2008 to 2011-2012). Focus by the Government on development of marginal fields and redevelopment of existing fields will also provide business prospects.

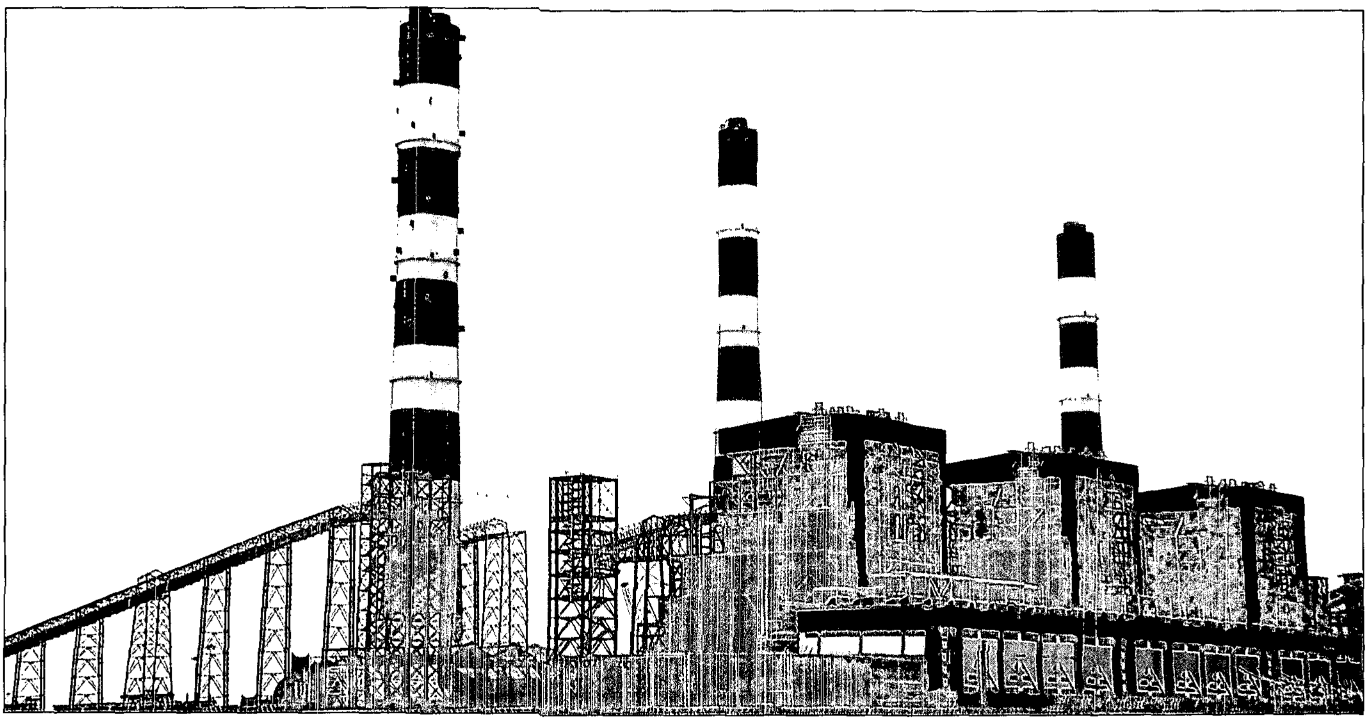
In the International business, Middle East is expected to be the focus area for the Division. New refineries and petrochemical complexes are being planned in this area. Similarly larger projects are also being implemented for exploration and production of Oil. The Division expects to benefit from the various initiatives taken in this region to garner significant business in the hydrocarbon sector.

Significant plan outlay during the Eleventh Plan period and thrust on power sector is expected to generate opportunities in this market. Emphasis on Ultra Mega power projects, shift towards super critical technology, continuing reforms and increased role of the private sector will drive this industry. Various initiatives taken by the Division in this sector are expected to yield significant returns in the near future.

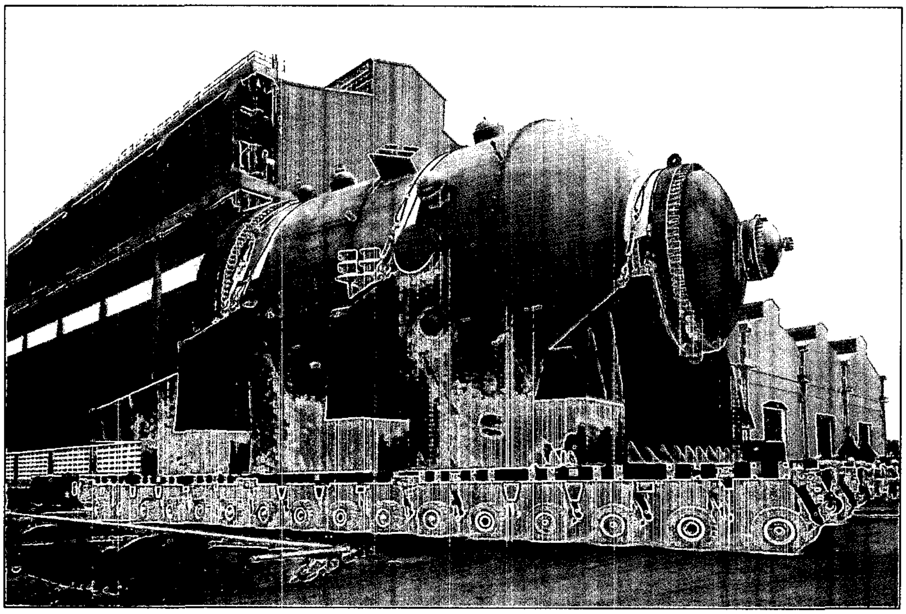
Verticalisation will help achieve the business plans, improve competitiveness and execution strengths by articulating a focused organisation structure with dedicated resources and clear accountability for performance. Given the current order book, the business outlook for the Division is encouraging.



Lube oil process units executed by L&T in Malaysia.



Power drives industry and the economy. L&T has the capability to execute power projects on an Engineering-Construction-Procurement basis. Picture shows 3 x 660 MW super thermal power plant in Bilaspur, Chhatisgarh.



The world's largest tubular reactor for a petrochemical complex in Kuwait.

M. V. Kotwal
Whole-time Director &
Senior Executive Vice President
(Heavy Engineering)

HEAVY ENGINEERING DIVISION

Overview

Heavy Engineering Division (HED) focuses on manufacture and supply of custom engineered critical equipment and systems to core sector industries like Fertilizers, Refinery, Petrochemicals, Chemicals, Oil & Gas, Thermal & Nuclear Power, Aerospace and Equipment & Systems for Defence applications. The Division has obtained global recognition for its quality of fabricated products. The Division's Ship Building business constructs commercial vessels.

The manufacturing and fabrication facilities are located at Mumbai in Maharashtra, Hazira & Baroda in Gujarat and Visakhapatnam in Andhra Pradesh. Construction of a new Strategic Systems Complex at Talegaon for integration and testing of weapon systems, sensors & engineering systems has recently been completed. The Division is in the process of setting up a Precision Manufacturing Facility at Coimbatore in Tamilnadu. A Strategic Electronics Center for Defence electronic systems design & engineering operates from Bangalore. Dedicated engineering centers support manufacturing at all locations. The Division has set up two "Technology Development Centers" for new product development in process plant equipment and defence/nuclear sectors at Powai.

The Division is authorised to use quality standards ASME U, U2, S, N & NPT stamps. The Quality Systems are covered under ISO 9001:2000, ISO 14001:2004 and OHSAS 18001. The Division has Manufacture License of Special Equipment (MLO) registration for exports to China and is also authorised to use CE marking for exports to the European countries.

Business Environment

The Process Plant Equipment business continues to have significant growth opportunities due to the large investments already committed for new projects. Coal gasification and refining of heavy & sour crude is becoming increasingly attractive due to high oil prices. This gives the Division increasing business opportunities for supply of coal gasification equipment and thick walled super heavy reactors. The Division sees major opportunities for exports to Middle East, China and the Americas.

In the domestic market; Greenfield refinery projects, refinery up-gradation programs and fertilizer plant modernisation programs will drive demand for the process plant equipment. There are major opportunities for supply of equipment to the number of Ultra Mega Power Projects coming up in India.

Defence Procurement Procedure (DPP) '06 has made it essential for overseas suppliers to have value addition from within India for major defence contracts called offsets. The offset stipulation will drive business opportunities in the defence sector in the medium term. DPP 2008 is round the corner and is expected to pave the way towards allowing "banking of offsets". This would benefit existing players like L&T who are licensed to produce defence goods. The Indian Armed Forces are considering induction of a variety of weapon systems and engineering systems developed by DRDO. This opens up opportunities for the Division as it has been a development partner to DRDO. The Government's decision on granting "*Raksha Udyog Ratna*" (RUR) status to select technology players is awaited. The Division has registered itself as the preferred player in the private sector for conferring this status.

Indian Space program has matured to offer commercial space launches for foreign satellites. With the increased launch frequency, on account of the commercial launches as well as Chandrayan mission, the Division can look forward to better volumes in aerospace business. International Shipbuilding market continues to be strong in spite of signs of global recession. There is good potential for Heavy Lifts, Reefer vessels, PCTC's and other midsize vessels.

Significant Initiatives

The Division has adopted a three pronged approach in its quest to remain a top player in the global process plant equipment market. The initiatives center around capacity augmentation, capability build up and improvement initiatives for increasing overall business productivity.

Capacity Augmentation

Substantial addition to the Fixed Assets including building of new facilities have been planned to support the growth plans of the Division. The Division continued with the planned expansion of its Hazira plant. A slipway facility for ship building activities was added at Hazira during the year. The main jetty used for export of equipment was also extended during the year. The Division is giving special attention to the up-gradation of its manufacturing facilities. For increased throughput and better quality output, the Division is investing in modern and more productive plant and equipment, besides developing dedicated sub contractors.

A Strategic Systems Complex has been commissioned at Talegaon to cater to integration needs of Weapon Systems and Sensors. Construction of a Precision Manufacturing Facility at Coimbatore to serve the needs of Aerospace, Aviation, Nuclear Power and sub-systems for Missiles is nearing completion.

Capability Building

A "Warship & Submarine Design Center" was set up to strengthen the design & engineering capabilities for construction of naval vessels. The Division gives special emphasis on continuous adaptation/development of manufacturing technology, modification of existing products and development of new products through its "Technology Development Centers".

The Division lays great stress on acquisition and training of skilled technical manpower. It has implemented a structured training and competency building program for its employees. The Division has been working along with Gallup India to implement specific action plans to enhance employee engagement.

Improvement Initiatives

The Division has launched a "Manufacturing Excellence" program to improve product quality and manufacturing productivity. It is using I.T. enabled reengineering of its business processes to improve employee productivity. The first phase of the "Product Life Cycle Management" (PLM) solution went live during the year. Apart from knowledge management, the PLM solution will simplify business processes across the Division.

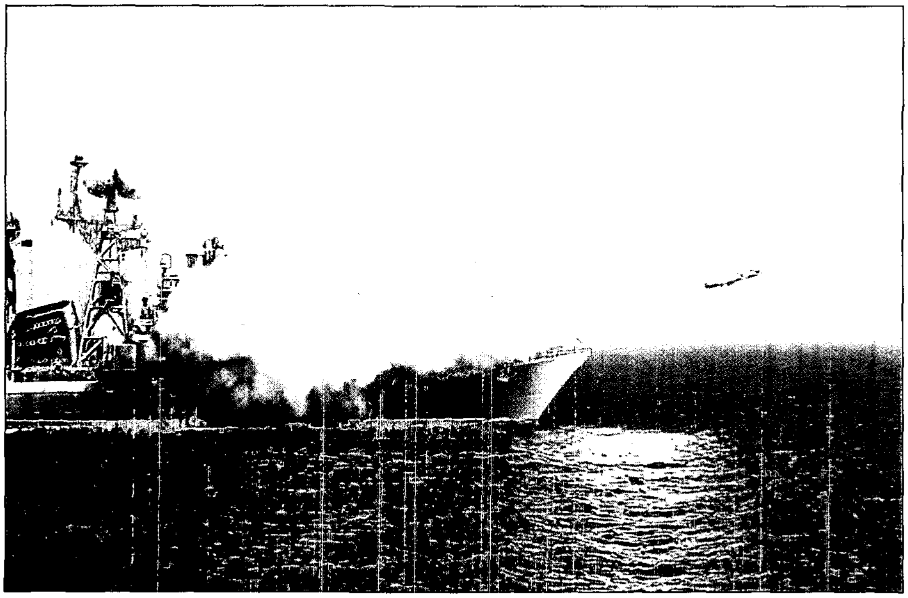
The Division is implementing "Critical Chain Project Management" methodology of the "Theory of Constraints" for improving its delivery performance. The Division also lays great stress on protection of its Intellectual Property Rights (IPR). During 2007-2008, the Division received two patents while six IPR applications were filed.

Outlook

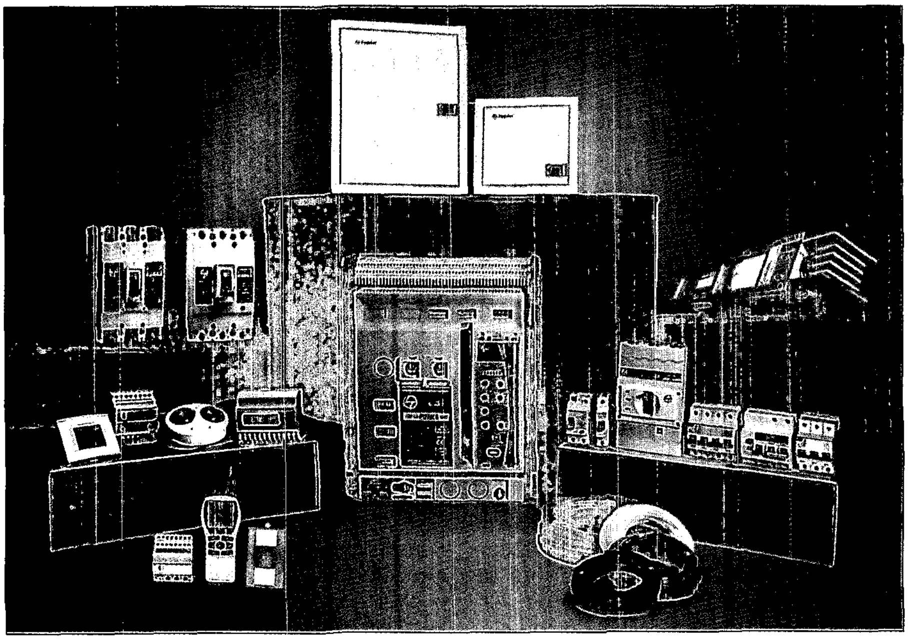
The expected global economic slow down is not likely to adversely affect the Division's Process Plant Equipment Business in the short to medium term. High oil prices are expected to continue to fuel investments in new oil exploration, refineries, and downstream petrochemical projects and in Coal to Gas projects. The Division sees improved business for Process Plant Equipment from Middle East, China as well from the Domestic market.

The short to medium term order prospects for Nuclear Power Plant Equipment are dependent on the successful conclusion of Indo-US Nuclear deal. Government's thrust on Power generation and the setting up of UMPP plants across India will provide significant opportunities for supply of Power plant equipment within India.

The implementation of the Government policy on offset programs under DPP '06 will provide opportunities for the Division in the medium to long term. Public Private Partnership will also provide opportunities for building critical products and systems in the Defence sector. Overall, the Division sees good prospects in the short to medium term.



Anti-ship missile - part of the wide range of missile and weapon systems supplied by L&T to India's defence services.



R. N. Mukhija
Whole-time Director & President (Electrical & Electronics)

Electricals for buildings - a new thrust area.

ELECTRICAL AND ELECTRONICS DIVISION

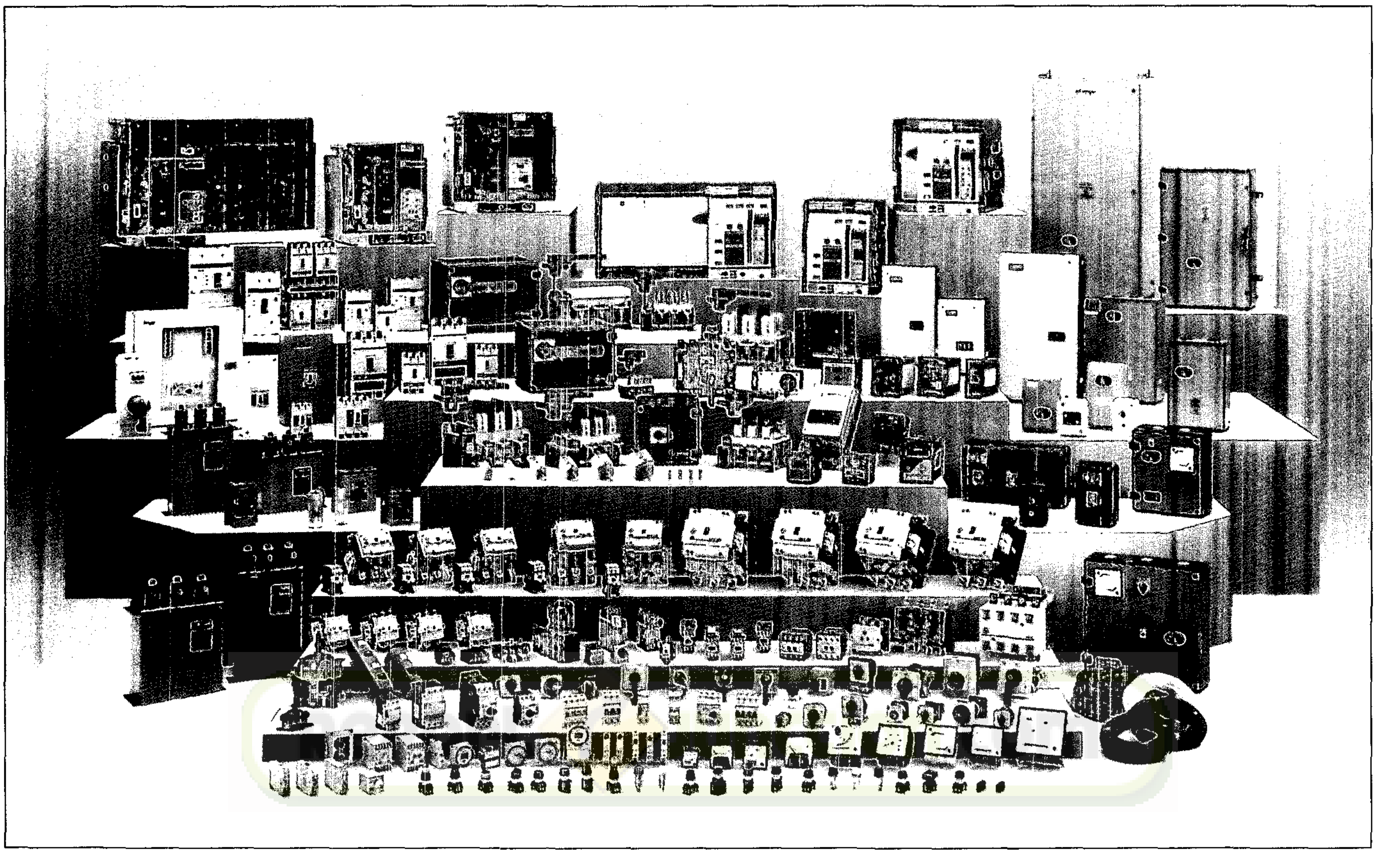
Overview

The Electrical & Electronics Division (EBG) represents six Strategic Businesses viz; Electrical Standard Products (ESP), Electrical Systems & Equipment (ESE), Metering & Protection Systems (MPS), Control & Automation (C&A), Medical Equipment & Systems (MED) and Petroleum Dispensing Pumps & Systems (PDP). Most of the businesses play a leading role in the domestic market and have improved performance in the international market as well.

The Division operates from Powai (Mumbai), Mahape (Navi Mumbai), Ahmednagar, Coimbatore and Mysore in India, Wuxi (China) and Dammam in Kingdom of Saudi Arabia. The sales & marketing offices are spread over India and other identified international regions. During the year, the Division has developed new facility for its Electrical Systems & Equipment business in Coimbatore for enhancing its production capacity. Petroleum Dispensing Pumps & Systems business has also shifted its manufacturing location from Powai to Coimbatore to harness productive resources at optimum cost. Further, a new Precision Manufacturing Centre has been established in the same premises at Coimbatore. Control & Automation business has enhanced its capacity by shifting into new building 'Unnati' in Mahape. Capacity enhancement has been done for Electrical Standard Products business in Ahmednagar. Capacity enhancement of manufacturing of low voltage switchboard and new production facility for medium voltage (MV) switchboard for Electrical Systems & Equipment business has also been established in Ahmednagar, taking advantage of the already available skilled resources and lower cost of establishment. Consequently, manufacturing of low voltage switchboards of Electrical Systems & Equipment business in Faridabad campus has been stopped. In Mysore, production capacity has been enhanced for Metering & Protection Systems and Medical Equipment & Systems businesses. All these existing and upcoming facilities are covered under ISO 9001, ISO 14001 and OHSAS 18001 certifications.

The deal to acquire the Switchgear business of TAMCO Corporate Holdings of Malaysia was concluded in April 2008. This includes TAMCO's switchgear manufacturing facilities in Malaysia, China, Australia and Indonesia. TAMCO Switchgears is a leading manufacturer of MV switchgear products comprising Vacuum Circuit Breakers (VCBs), Ring Main Units (RMUs), Gas Insulated Switchgear (GIS), Bus-ducts and Switchboards. TAMCO sells its products in more than 30 countries with major markets in Malaysia and the Middle East.

TAMCO is a good platform to pursue the Division's domestic and international ambitions in MV switchgear business. It will be able to offer a comprehensive range of MV switchgear and become a significant player in the MV segment in India. The Division will have access to fast



L&T offers India's widest range of low tension switchgear - more products in more ratings, with a choice of options and accessories.

growing markets like Middle East for MV Switchgear and can also bundle LV with MV to offer turnkey solutions to customers and derive synergy.

Business Environment

The domestic business environment offers opportunities for sustained high growth for the Division Businesses. Oil & gas, Cement, Steel & metal sector, Power & manufacturing sectors continue to see major investments which offer growth opportunities. Investment in infrastructure sectors such as Airports, Metro Railways, Water distribution systems etc. have opened up new business opportunities. In the Power Sector, new projects are coming up in both public and private Sectors. Ultra Mega Power Projects (UMPPs) will also present attractive business opportunities. Initiative of the Government on distribution sector reform through APDRP helps to create demand for electronics meter sales. Riding on the back of robust performances of the above sectors, the Division recorded healthy growth of 24% in Order inflows.

In the international markets, the Division's export efforts in the past few years and growth opportunities in the selected markets have been mapped. Enhanced scope is seen for brand labelling business through existing and new products/ partners. UAE, Oman, Bahrain & Kuwait offer opportunities in Water distribution, Electrical distribution, Oil & gas pipelines, Drives systems & Automation. Sales of Pre-paid meters and Automatic Meter Reading (AMR) solutions in Bangladesh and Nigeria continue to grow.

Significant Initiatives

In order to address the emerging opportunities, several strategic initiatives have been undertaken aimed at increasing capacities, developing world-class products & services and process orientation.

Development of new products and technologies

Development of new products and technologies continues to be the top priority for the Division. It kept pace with the market and competition by introducing many state of the art new products. The Electrical Standard Products business introduced U-Power Air Circuit Breaker (ACB) – Frame I to 2000 Amp and Frame II to 3200 Amp rating, high end protection release in C-POWER Air Circuit Breaker

L&T switchboards are custom engineered for reliable and effective control and distrubution of power .

(ACB), DN4 Moulded Case Circuit Breaker (MCCB) 3 pole design. Electrical Systems & Equipment business introduced new range of low voltage Power Control Centre (PCC) and Motor Control Centre (MCC) switchboards. Petroleum Dispensing Pumps & Systems business introduced security & tamper proofing of dispensers through data encryption & biometric protection, dispensers with variable oil mixing for 2-stroke engine and extra heavy duty dispensers up to 120 litre per minute. Control & Automation business introduced 6 port Serial to Ethernet gateway for integration of IEDs in Oil Terminal Automation, MODBUS to TCP/IP gateway and 32-bit Data Concentrator for ABT AMR used by Transmission companies and Serial IED interface with DCS/SCADA/PLC for Substation Automation. Metering & Protection Systems business introduced platform up-gradation of tri-vector meters for all segments. Medical Equipment & Systems business introduced Planet 55 – 4 channel multi-parameter monitor, Star 55 – 8 channel multi-parameter monitor and Skyline 55 – Central Nurses' Station.

Intellectual Property Rights

The Division has put serious and conscious efforts to generate innovative ideas and create great value for the organisation by protecting them through intellectual property rights. 2007-2008 has been another successful year on this front, wherein 101 patent applications in addition to 31 Design Registrations and 11 Trademark filings have been made.

Quality initiatives

Quality initiatives in manufacturing and services have taken roots in Division's culture. Institutionalised initiatives through time-tested tools like Six Sigma and Value Engineering helped spread the culture of quality and cost competitiveness. The division is entering into the ninth year since Six Sigma initiative has been institutionalised. In 2007-2008, 69 Six Sigma projects have been completed and 110 Projects are currently on hand. In Value Engineering, the Division achieved Rs. 11 crore worth of cost savings, which is a 30% improvement over last year. As a percentage of material cost, the cost savings work out to 0.9%.

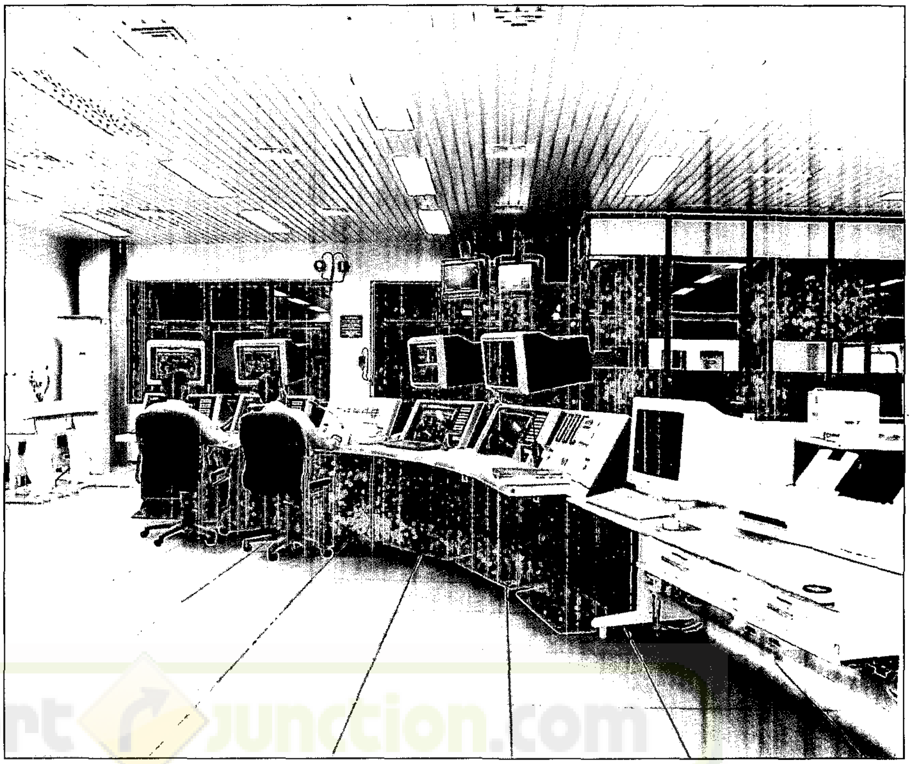
Thrust on Exports

Continued thrust on exports forms a corner stone of the growth strategy of the Division. The Electrical Standard Products, Electrical Systems & Equipment and Control & Automation businesses have consolidated their market positions in the Gulf, South East Asia, Africa, China and other countries while Medical Equipment & Systems business shipped their products to the US and Europe. Petroleum Dispensing Pumps & Systems business exported pumps to Western Europe and Gulf countries. Apart from penetrating the above focus markets through own brand, the Division delivers its products in other international markets through the 'brand labelling' initiative with the help of existing renowned brands in those countries.

HR initiatives

The Division took many HR initiatives to manage the challenge of talent acquisition and retention. Right from the orientation stage, various training programs catering to employees' skill improvement have been organised in line with the organisation's needs. Succession planning exercises were carried out at various levels. Leadership development programs have been conducted for senior functionaries. Regular interaction between peer groups and seniors were facilitated to help them in knowledge sharing and counseling on career-related issues. For understanding the needs of the employees, a survey has been carried out throughout the Division. The Human Performance Transformation (HPT) initiative has been successfully put in place with revised HR organisational structure in each of the businesses. Other areas of improvement done under HPT are improved recruitment process, establishment of overall strategy for human capital and implementing process of detailed work-force planning.

LASER programme was continued for achieving operational excellence across the division in different aspects of the businesses. The initiatives are related to business level supply chain management, procurement optimisation, sales & marketing effectiveness, service management, human performance transformation, customer interaction centre and manufacturing excellence. These initiatives have already started yielding results.



L&T's control and automation system reflect the convergence of electrical, communication and automation technologies.

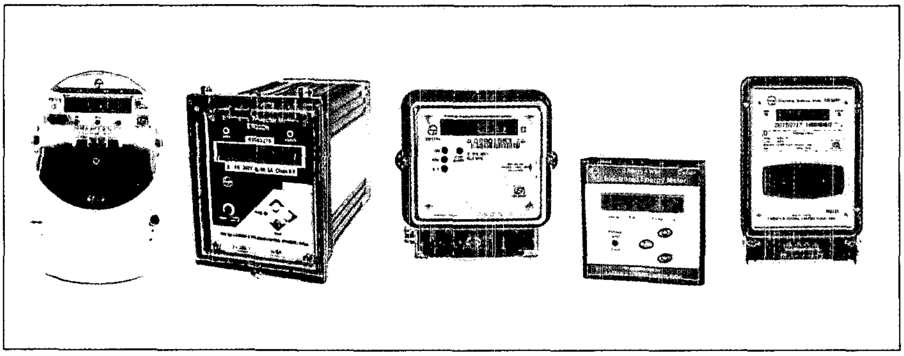
Global Sourcing

Global sourcing is another step to improve the competitive position of the businesses in global market. Sourcing is done in the most cost-effective manner without compromising on the quality of inputs. This approach also puts pressure on the domestic suppliers, and often results in quality improvement and price reductions that make them competitive.

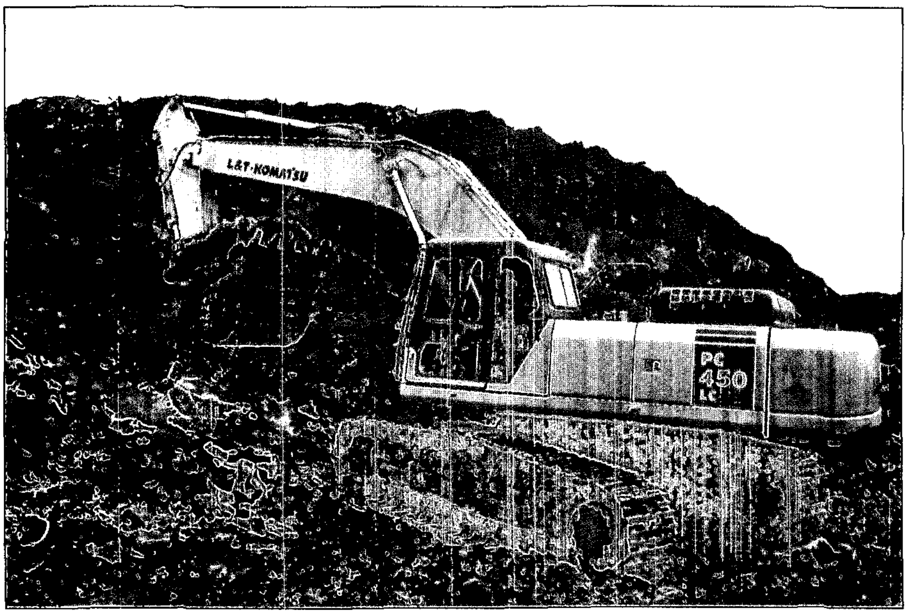
Outlook

The Indian economy is charging ahead with nearly all sectors registering and promising healthy growth. The focus on power sector ensures continuous growth of the electrical industry, at least for the next few years. The National Highway development programs will throw up the need and demand for petrol filling stations with increase in vehicular traffic. Initiative of Government on distribution sector reform through APDRP and Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) will continue to create demand for electronics meters.

On international front, Gulf countries will continue to witness large-scale infrastructure development that promises big opportunities for the Electrical Standard Produts, Electrical Systems & Equipment and Control & Automation businesses. With the growth-momentum already built in, all the businesses of the division are expected to perform well during ensuing year.



L&T offers a wide range of energy meters.



J. P. Nayak
Whole-time Director & President
(Machinery & Industrial Products)

L&T-Komatsu PC450LC-7 - the latest addition to the range of hydraulic excavators.

MACHINERY & INDUSTRIAL PRODUCTS DIVISION

Overview

Machinery and Industrial Products Division (MIPD) is organised into two business sectors:

Machinery sector

Industrial Products sector

L&T's Machinery Sector consists of the following Strategic Business Units and Joint Venture Companies.

- Construction & Mining Equipment Business Unit (CMB) which markets Equipment manufactured by L&T-Komatsu Limited, entire range of Equipment available from Komatsu Worldwide and Mining Tippers from SCANIA, Sweden.
- L&T-Komatsu Limited (LTK) – the 50:50 JV with Komatsu that manufactures Hydraulic Excavators and Hydraulic Components, all of which are distributed in India by CMB.
- L&T-Case Equipment Private Limited (LTCEPL), a 50:50 JV with CNH Global n.v., which manufactures and markets Backhoe Loaders and Vibratory Compactors.
- Tractor Engineers Limited (TENGL), the wholly-owned subsidiary, which manufactures and markets undercarriage systems for excavators and material handling systems like apron conveyors.
- LTM Business Unit, which Manufactures and markets Rubber Processing Machinery including Tyre Curing Press and Tyre Building machines from its plant located in Chennai and L&T (Qingdao) Rubber Machinery Company Limited in China. The business unit is an approved supplier of machinery to all the domestic and global tyre majors. The unit also markets plastic processing machines manufactured by L&T Demag Plastics Machinery Limited.
- L&T Demag Plastics Machinery Limited, a 50:50 JV with Demag Ergotech GmbH.
- L&T (Qingdao) Rubber Machinery Company Limited, a subsidiary of L&T based in China.
- Kansbahal Works that manufactures & markets Crushers, Surface Miners and Paper Processing Machinery. The unit also has a foundry which supplies heavy cast components to windmill, cement and other industrial applications.
- Voith Paper Technology (India) Limited, a 50:50 JV with Voith Paper Holding GmbH & Co. KG, Heidenheim, which provides technological solutions and products
- Product Development Centre, Coimbatore which renders engineering and product development support to the Machinery Sector.

Industrial Products Sector comprises the following Strategic Business Units and Joint Venture Companies:

- Valves Business Unit which markets a wide range of Industrial Valves manufactured by Audco India Limited

and Larsen & Toubro (Jiangsu) Valve Company Limited, China.

- Audco India Limited, a 50:50 JV with Flowserve Corporation USA, which manufactures a wide range of valves at its 4 factories in southern India
- Larsen & Toubro LLC, a wholly owned subsidiary distributing industrial valves in North America.
- L&T (Jiangsu) Valve Company Limited, a subsidiary of L&T based in China, manufacturing industrial valves.
- Welding Products Business Unit, which markets products manufactured by EWAC Alloys Limited. It also markets allied equipment from Fronius, Austria, TAFA-PRAXAIR, U.S.A. and Oxy-Fuel Equipment from Messer, Germany. In addition Welding Products Business Unit provides total solutions in the field of Repair & Maintenance of Critical Industrial Components.
- EWAC Alloys Limited, a 50:50 JV with MEC, Germany.
- Industrial Products (INP) Business Unit, which markets Industrial Cutting tools manufactured by ISCAR Limited, Israel. The products are used for metal cutting of components used in Automotive and Engineering Industry.

MIPD enjoys leadership position in most of its Product lines in the Domestic market.

Business Environment

Business environment continued to be favorable with sustained focus on roads, power, irrigation, urban infrastructure and mining. Government spending on roads, irrigation and increased investment in power and urban infrastructure resulted in increased demand for all products of MIPD. In the Construction Equipment business, the Hydraulic Excavator market grew to exceed 10,000 nos. during the year and the Backhoe Loader market to about 22,000 nos. Opening up of Mining sector and allocation of coal blocks to private sector is generating a good demand for Mining equipment. The pace may slow down in few sectors, like Cement and Iron ore mining, in the coming year.

L&T-CASE loader backhoe model 770 in action.

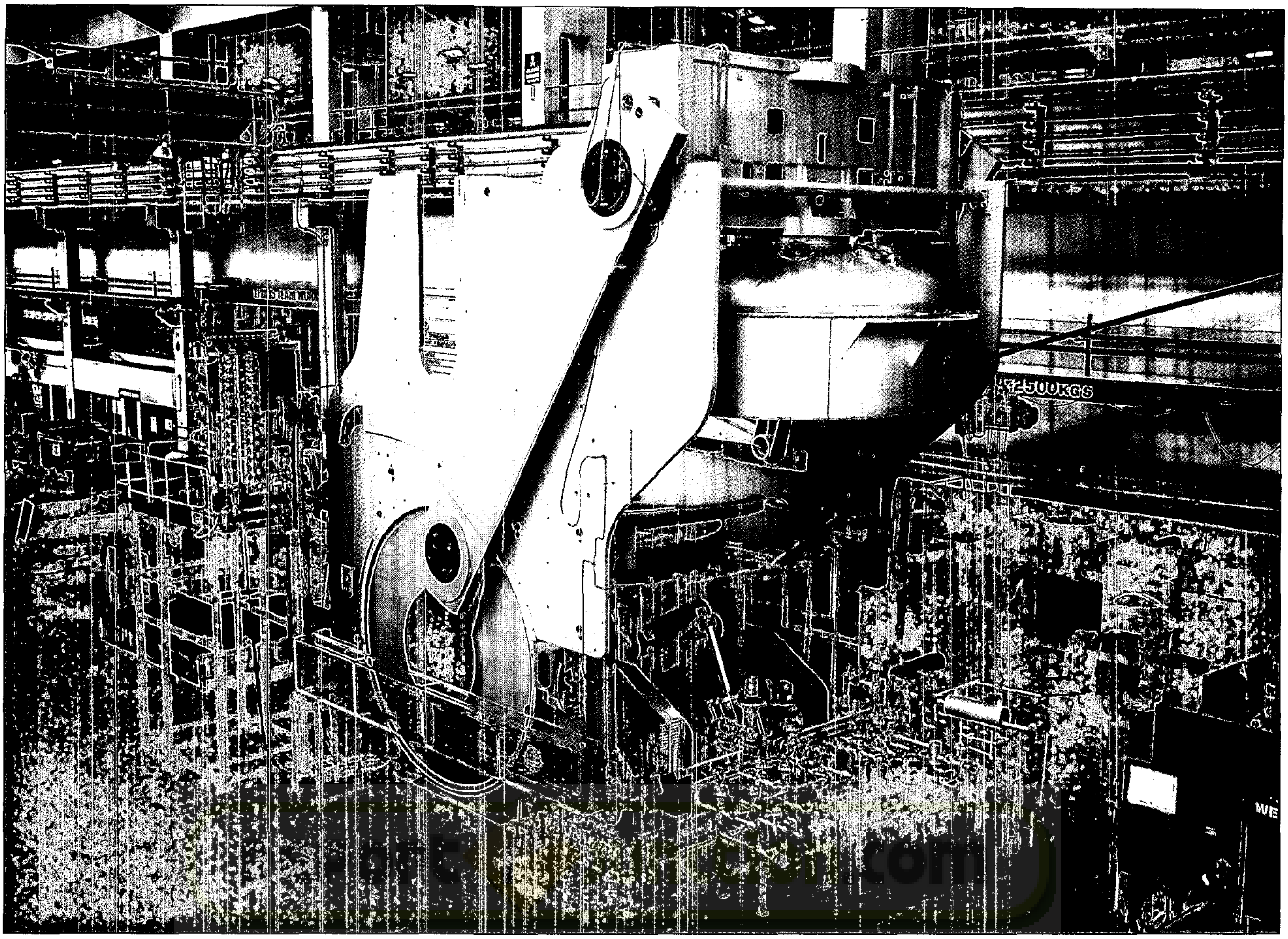
The tyre machinery market growth is at around 10% globally and all majors are committing investments directed towards Asia and Europe. Weakening of US Dollar and Rupee appreciation constrained the profitability in the tyre machinery business in the short term due to earlier orders accepted at a higher parity. Competition from manufacturers in China continues to be a major concern for tyre machinery and the Division's new venture in China is likely to help tide over this in the years to come.

Increased investments in Oil and Gas globally offer tremendous growth opportunities for Valves Business. Competition from a few Chinese manufacturers who are now able to obtain approvals from select oil majors poses a major threat to this business. However, with the applications moving to high pressure and larger size valves coupled with requirement of more exotic metals, and the capability to offer project management support, Valves Business Unit would be better placed to face competition. In addition, supply of Valves from the Chinese Unit would help retain and enhance the market share in the years to come.

Significant Initiatives

Machinery Sector
Construction & Mining Equipment Business

The sector entered into a strategic alliance with SCANIA for Mining Tipper Trucks. The Scania Multi Axle Truck P-380, was approved by ARAI and was launched during EXCON 2007. The first 25 number of trucks were supplied to a strategic customer. New range of Excavator manufactured by LTK (PC450LC-7) was commercially launched during the year. The Excavator PC130 launched in the previous year was well accepted and the product achieved a share of 36% in the premium segment in the first full year of production. New imported models were sourced from Komatsu (PC2000, PC3000) and were well accepted in the market.



State-of-the-art injection moulding machine manufactured by L&T-Demag.

For cement and coal mining sectors, Rigid Dump Trucks were introduced to improve operational efficiencies and productivity. These are now being sourced from the newly set up Komatsu's factory at Chennai.

Comprehensive service support for these machineries is vital to sustain the market share. In this connection the Division is expanding the service network for these earth moving machines. A new service station is being planned at Bahadurgarh near Delhi, for which clearance has been obtained from Haryana Government. Similarly, expansion of Durgapur Service station commenced during the year to service the growing demand from the eastern belt.

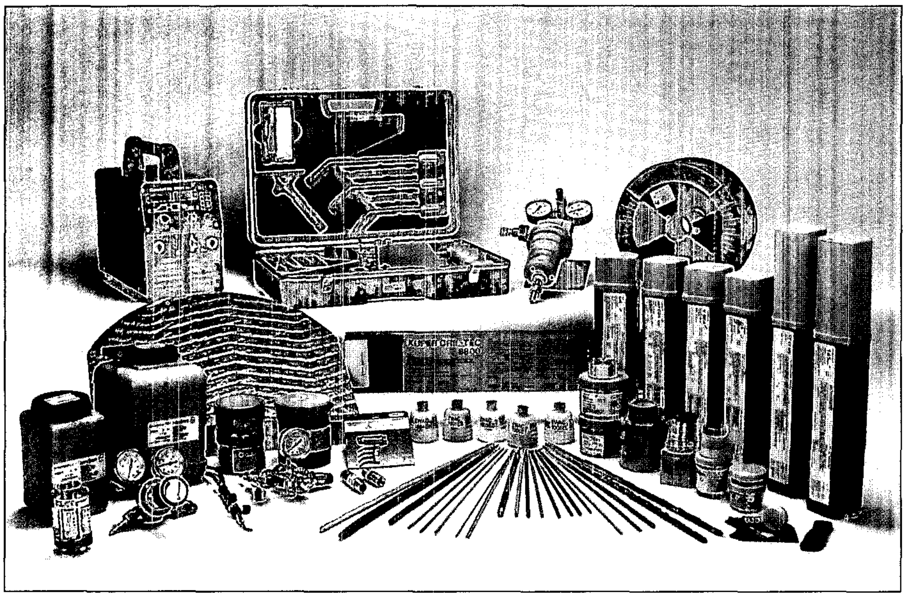
The mining equipment business also participated in EXCON 2007, which provided a platform to display its range of products manufactured by TENGL, L&T-Case and LTK. Customer meets, Seminars and Road shows were held at various locations across the country to strengthen customer relationship for these equipments. Presentations were made to large customers/business houses with potential to promote mining equipment, viz. JPI, SAIL, Vedanta, Tata Power, Torrent, GMR Infra etc.

LTM Business Unit

LTM Business Unit continues to cater to the total solution needs of the existing customers in China and is exploring further to tap the Chinese market for tyre machinery through a joint venture facilty in China. LTM Business Unit exports over 40% in its tyre machinery business, to leverage on its cost effective models. In order to mitigate the impact of the dollar depreciation, the business Unit has preferred Euros for its export orders

Kansbahal Works

During the year Kanshahal Works expanded the foundry to double the capacity from 6000 TPA to 12000 TPA at a cost of Rs. 15 crore. In order to consolidate its dominant position in the market and to cater to the growing demand of cast components for Wind Turbines, a new green field foundry is being set up at Coimbatore. It will adopt the latest technology and will be equipped specifically for wind turbine castings. Spare capacity, if any, after meeting domestic demand will be used for manufacturing the castings for export market. The estimated cost of the project is Rs.125 crore which is expected to



Welding products, processes and systems offered by L&T prolong machine life of critical components.

commence commercial production from July 2009. Kansbahal Works participated in Frost & Sullivan Manufacturing Excellence Award 2007 and qualified for Gold category.

Industrial Products Sector Valves Business Unit

Approval from major end-users like Chevron, Saudi Aramco, Sasol, etc. has been received for valves manufactured at LTJVCL, China. During the year, key long-term agreements were established with three major end-users and EPC contractors. These agreements will open up significant opportunities in the coming years, given the strong investment plans of these Companies.

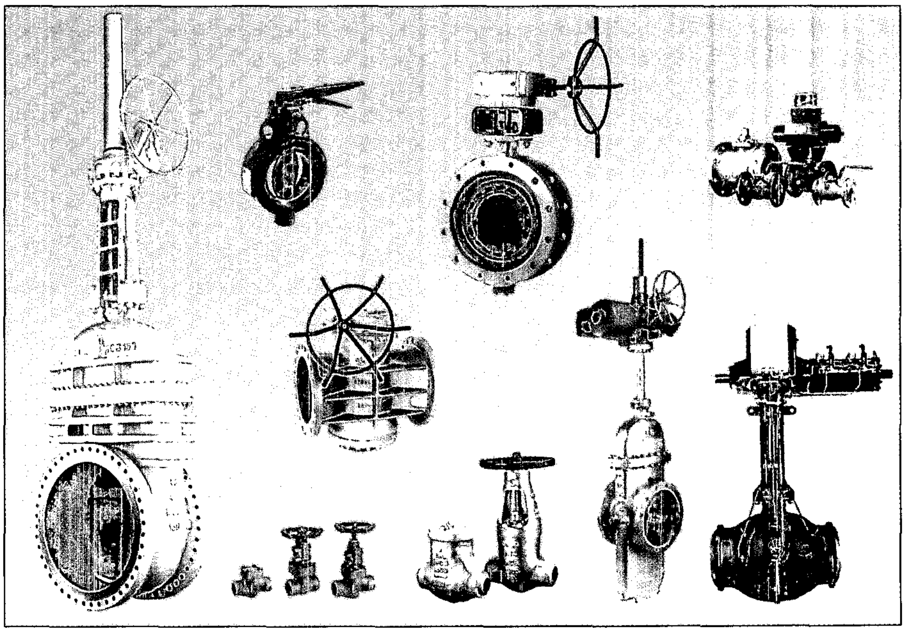
Outlook

Continued thrust is expected on infrastructure, Power, Mining and Urban infrastructure sectors. This will help in sustained demand growth for Construction and Mining equipment in India. Demand for Hydraulic Excavators is likely to grow at 48% and Excavator market (7 T to 60 T) expected to grow to over 15,000 nos. thereby offering increasing opportunities for CMB.

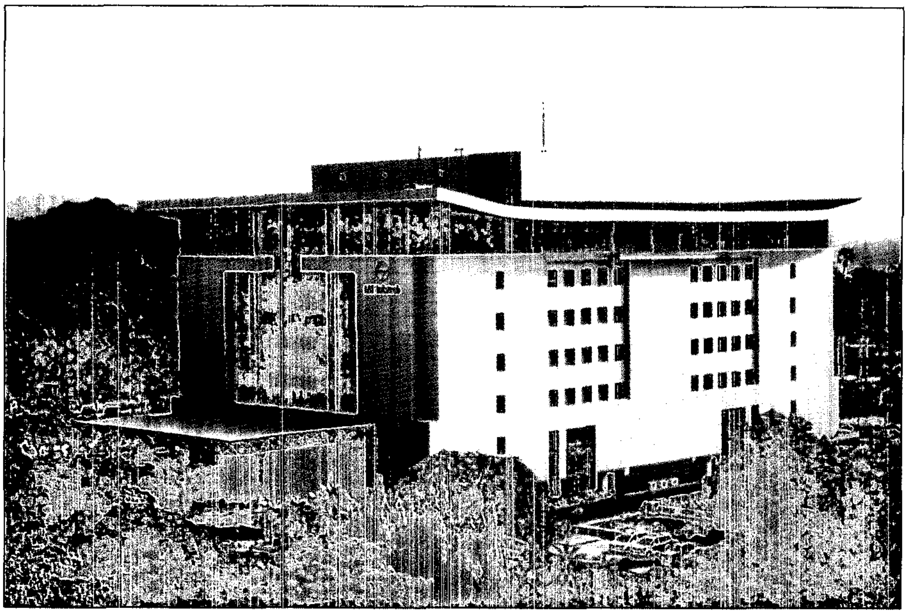
Global leaders in the tyre business have announced their investment plans for next three to five years signaling buoyancy in demand. Major Indian tyre companies have also announced several greenfield projects in India and some outside India.

Investments in the Refineries and Gas to Liquid Projects in Middle East and clean fuel projects and refineries' capacity addition in North America offer prospects for growth from Valves business. With a sizeable order book as well as the good business prospects and the Chinese Joint Venture Company commencing commercial production, the Division foresees a growth in the range of 35% to 40% in sales.

With economic and policy environment likely to be conducive for growth, the Division is quite hopeful of maintaining the pace of growth in the coming year.



Industrial valves marketed by L&T find application in the oil & gas, petrochemical and power industries of global majors.



Head Quarters of L&T Infotech, Powai, Mumbai.

V. K. Magapu
Whole-time Director & Senior Executive Vice President (IT & Technology Services)

IT & TECHNOLOGY SERVICES DIVISION

Overview

Technology Services Division comprising two business units, e-Engineering Solutions (e-ES) and Embedded Systems (EmSyS), operates in the rapidly changing engineering services outsourcing landscape. After having derived immense benefits from outsourced IT & BPO services, the overseas companies have now moved to the next wave of outsourced engineering services domain. The Division provides a range of IT enabled engineering services required in the design and execution of turnkey projects and equipment/product manufacture, from it's offices located at Mumbai, Baroda, Chennai, Bangalore & Mysore.

e-Engineering solutions are being provided to high end technology verticals such as automotive, aerospace, marine & ship design, Plant engineering and industrial products. The basket of end to end services in the offering comprises product design and engineering analysis, engineering process support, production & plant engineering, asset information management and design automation. These services are critical for its customers to achieve the desired level of cost reduction, product innovation and prompt delivery. e-Engineering has a good track record of meeting the above expectations, through its cutting edge IT enabled technology of CAD / CAM / CAE / PDM etc. The business unit has a strong band of professionals over 1400 in numbers and is expected to ramp up the capacity with a 3000 seat facility at Baroda during the next financial year.

EmSyS provides embedded systems for electronics product design and development. The solutions comprise supply of hardware, application software and enclosure design for the systems required largely by Automotive, Medical, Semiconductor and Industrial products segment. Today the business unit has dedicated team of over 1000 professionals operating from 3 locations, viz; Mysore, Bangalore and Mumbai. Significant additional capacity is being created at these locations to cater to increased growth of this business.

Business Environment

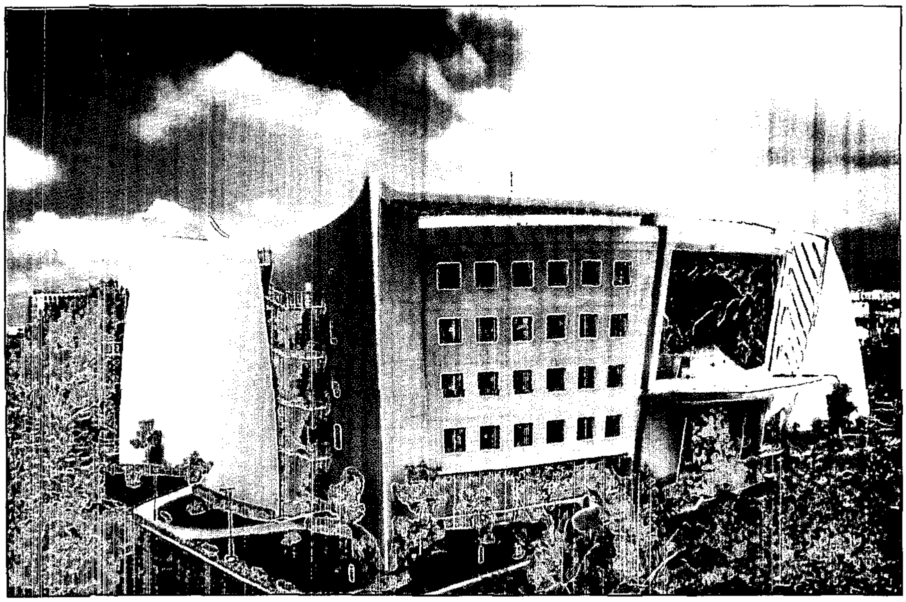
The Engineering Services outsourcing market is evolving very rapidly. In the recent past, the bulk of the IT engineering work coming to India was of comparatively low end, such as drafting, legacy conversion or simple design tasks. The current trend in outsourcing space shows larger share of IT enabled engineering services ranging from complete product design, complex turnkey project design, value analysis/cost reduction projects, design of assembly lines, fixtures, etc. In the next two or three years, the trend is expected to accelerate and accordingly engineering services industry would need to position itself for delivering the bench marked services for driving innovation and continuous cost reduction for its global clients.

Significant Initiatives

It is believed that out of the world's spend of USD 150 to 200 billion, India has the opportunity to target around USD 50 billion. In order to gear up for this emerging opportunity, the Division has put in place several measures including structured training of new recruits, transfer of experienced domain specialists from L&T's other operating divisions into this new business area, developing sound processes for engineering activities and so on.

e-ES has developed significant processes to improve the quality of value analysis which is being applied to many significant projects of customers. e-Engineering business unit has also achieved CMMI Level 5 Certification which will further strengthen the internal processes of this business unit to deliver flaw-less quality to customers.

EmSyS was among the first business units in the world to achieve CMMI Level 5 certification and has additionally adopted Six Sigma Processes to enhance the value of its services to its customers. Besides Product Design, this business unit also provides proto-typing and small series manufacturing facilities to its customers. Its access to L&T's in-house testing facilities provides an additional dimension to the nature of its services.

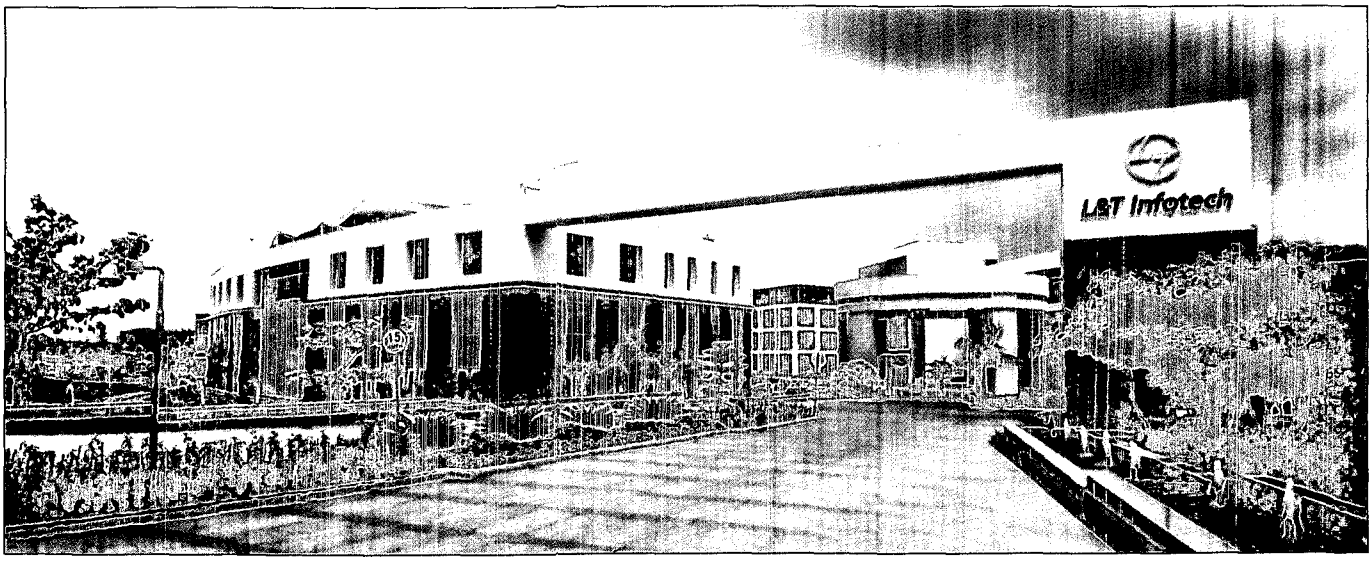


Technology Center II, Chennai L&T

Outlook

With the market likely to witness explosive growth, both e-Engineering and EmSyS are working on integrating their individual skill sets to provide its customers a broader spectrum of capabilities from a common source. This combination of skills is likely to result in opportunities to help customers transition their product design from pure mechanical projects to ones with significant embedded electronic content.

Technology Services already has many global leaders as its customers and expects the prized list to grow even as the outsourced engineering services industry gathers momentum.



L&T Infotech Center, Bangalore.

Annexure A

a) The details of major orders secured during the year ended March 31, 2008 are given below:

Domestic	Operating Division	Rs.crore
Construction of Mumbai International Airport including design and engineering of terminal building, airside works, runways for Mumbai International Airport Limited	ECCD	5500
Construction and civil work for the Northern Area Development project in RJ-ON/1 block at Barmer, Rajasthan for Cairn Energy India Private Limited	E&C(P)	1347
Mumbai High South Redevelopment Phase – II project comprising Design, Engineering, Procurement, Fabrication, Load-out, Transportation, Installation, Testing and Commissioning at Mumbai High for ONGC	E&C(P)	1261
Expansion of coal and coke handling plant, base handling plant and electrical works at Burnpur in West Bengal for Steel Authority of India Limited	ECCD	1184
NQ Re-construction project comprising re-construction of offshore facilities at NQ Complex for ONGC – NQRC at Mumbai High, South Field	E&C(P)	877
Detailed Engineering, Supply of equipment, Site service, civil & structural Works for steel melt shop and power distribution area for Sinter Plant at Kalingnagar, Orissa for Tata Steel Limited	ECCD	857
Design, Engineering, Supply of materials & equipment, Erection, Construction and Commissioning of Blast Furnace at Angul, Orissa for Bhushan Steel & Strips Limited	ECCD	770
Residual process design, detailed engineering, procurement, supply, fabrication, construction, installation, testing, commissioning and PGTR for Sulphur Recovery units along with associated facilities at Baroda , Gujarat for Indian Oil Corporation Limited	E&C(P)	693
Overseas		
Manufacture and supply of reactors (18 nos) and separators (4 nos) for Clean Fuel Project of Kuwait National Petroleum Company.	HED	1696 (USD 423 Mio)
Building of 4 Nos of RO-RO / LO-LO semi submersible Heavy Lift Container Carrier Vessels for Roll Dock BV, Netherlands	HED	580 (USD 145 Mio)
Expansion and reinforcement of 33 KV network at Al Ain, Abu Dhabi for Al Ain Distribution Company	ECCD	411 (USD 108 Mio)
Building of 2 Nos of Multi-purpose Heavy Lift Vessels for BigLift Shipping B.V. Netherlands	HED	398 (USD 95 Mio)
Construction of Primary Sub-station 132 / 22 KV Lot 1A and Associated Cable Works at Saadiyat Island for Abu Dhabi Water & Electricity Authority	ECCD	365 (USD 96 Mio)

b) List of some of the major orders executed during the year 2007-2008

Domestic	Operating Division
4 well platforms and inter-connecting pipelines for Mumbai High North and Bassein fields for ONGC	E&C(P)
Surveys, design , engineering, procurement, fabrication, loadout, transportation,installation, hook-up, testing,pre-commissioning, start up & commissioning of Booster Compressor platform and modification of existing platforms in the Bassein Gas field, approximately 80 km north-west of Mumbai. for ONGC	E&C(P)
Column,Regenerator,Reactor for RPL, Jamnagar	HED
HP Heat Exchangers for RPL, Jamnagar	HED
220 MW SG NEW for NPCIL	HED
DHDS Reactor for Essar Steels Limited	HED
Upgradation of road from Hiriyur to Bellary for Karnataka State Highways Improvement Project	ECCD
Paint and assembly shop in Hyundai Ph II for AMCO India Construction Private Limited	ECCD
400 KV D/C Muzaffarpur Gorakhpur Transmission Line for Powerlinks Transmission Limited	ECCD
Design, Civil and Structural works for Glass Plant at Roorkee for Asahi India Glass Limited	ECCD
400 kV D/C Ranchi-Maithon Transmission Line for Power Grid Corporation of India Limited	ECCD
Tanks and Vessels for Sterlite at Lanjigarh for Sterlite Industries India Limited	ECCD
Games Village for National Games 2005-for Public Works Department, Guwahati, Assam	ECCD
Overseas	
1.2 MTPY cement plant for Lafarge Surma Cement Limited, Bangladesh	E&C(P)
EO Reactor & Preheater for Kuwait Olefins CO/ Dow Chemicals	HED
EO/EG REACTOR SET for The Dow Chemicals Co., Texas	HED
Heat Exchangers for The Dow Chemicals Co., Texas	HED
Heat Exchangers for Bechtel Corporation	HED
Construction of Hospital at Saudi Arabia for Thinet International	ECCD
Construction of Stadium at Kensington Oval, Barbados - (West Indies) for World Cup Barbados Incorporation	ECCD
Long Belt Conveyor - BANGALADESH to MEGHALAYA for Lafarge Surma Cement Limited	ECCD
E&W TRAINING INSTITUTE - For Public Authority for Applied Education & Training, Kuwait	ECCD

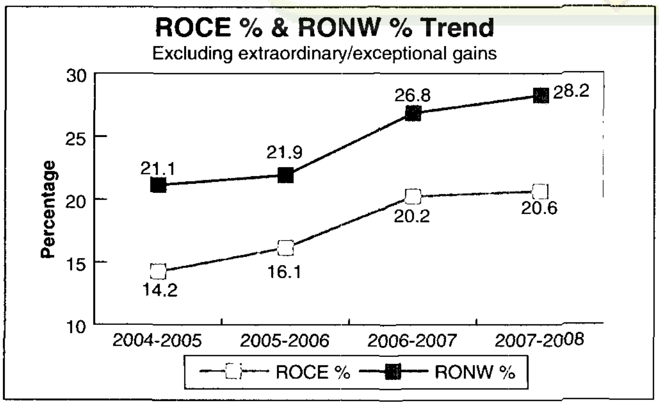
Y. M. Deosthalee
Whole-time Director &
Chief Financial Officer

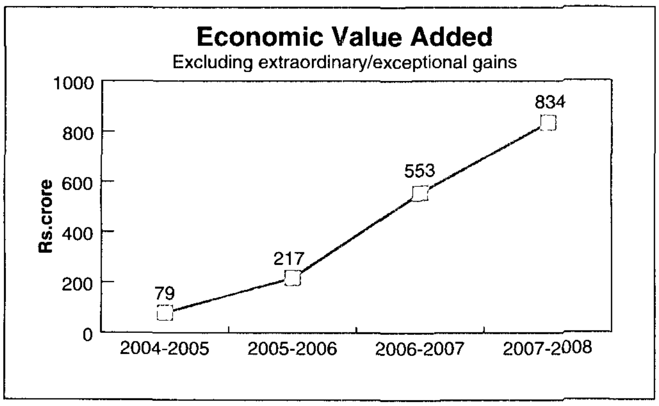
Financial analysis and review 2007-2008

L&T Independent Financial Performance review

Healthy financials

In line with the growth momentum in the Indian economy, the Company has yet again produced an encouraging financial performance in terms of revenue growth & improved operating margins for the year 2007-2008. All the business segments have sustained their growth momentum and fully exploited the opportunities thrown up by the economic resurgence of the nation. The Company has sustained ROCE (Return on Capital Employed) at 20.6%, higher than the previous year's level, despite significant increase in funds employed in the business by way of investments in new capacity build-up, which are yet to generate revenue streams. The Return on Net-Worth (RONW) at 28.2% grew by 1.4% over the previous year, on a much larger net-worth base. Economic Value Added at the Company level at Rs.834 crore, has smartly risen by 51% over the previous year.

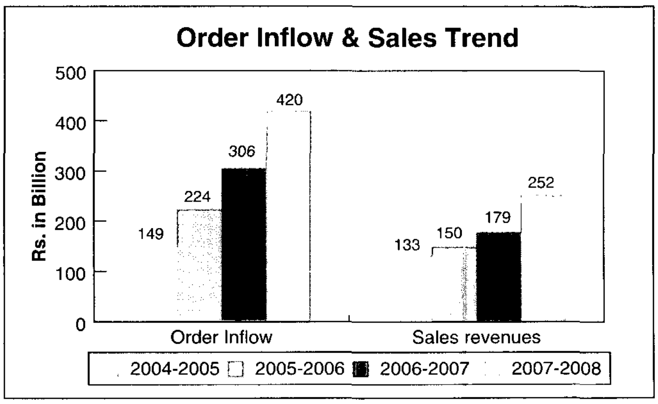




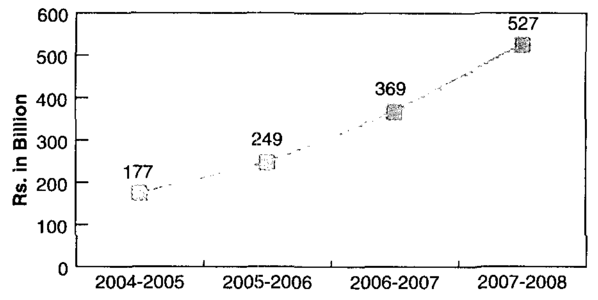
Order Inflow & Sales

The Company secured fresh orders worth Rs.42,019 crore during the year, registering a growth of 37% over the previous year. Orders secured in infrastructure and hydro carbon sectors have grown in size & complexity, a few of them well in excess of Rs.1,000 crore. The mega scale of projects called for a very detailed planning, engineering and execution skills. Despite stiff competition from some of the international and national players, the quality of orders bagged during the year continues to be healthy. The growth in Order Inflow also has been satisfactory in the product and equipment businesses, being in the range of 21% to 24% over a higher base achieved in the past 2-3 years.

Sales and service income for the year at Rs.25,187 crore, rose by 41% as compared to Rs.17,901 crore of the previous year. Fresh orders received during the past 2 years and under execution at present, have generated healthy margins despite continuous rise in input costs.



Order Book as at the year end stood at Rs.52,683 crore, registering an increase of 43% over the previous year end.



Other Income

Continuing its initiatives to divest its non-core business/ investment portfolio, the Company during the year sold its investment in HPL Cogeneration Limited, a Subsidiary company in power and steam generation, at a profit of Rs.87 crore. Recurring Other Income increased by 19% to Rs.480 crore, contributed by higher investment income. The surplus accruals coupled with part of the proceeds of GDS issue, pending deployment for new ventures, were parked in short term investments.

Interest income increased by 43% to Rs.84 crore, largely contributed by higher income on foreign currency deposits, inter-corporate deposits and liquid bonds.

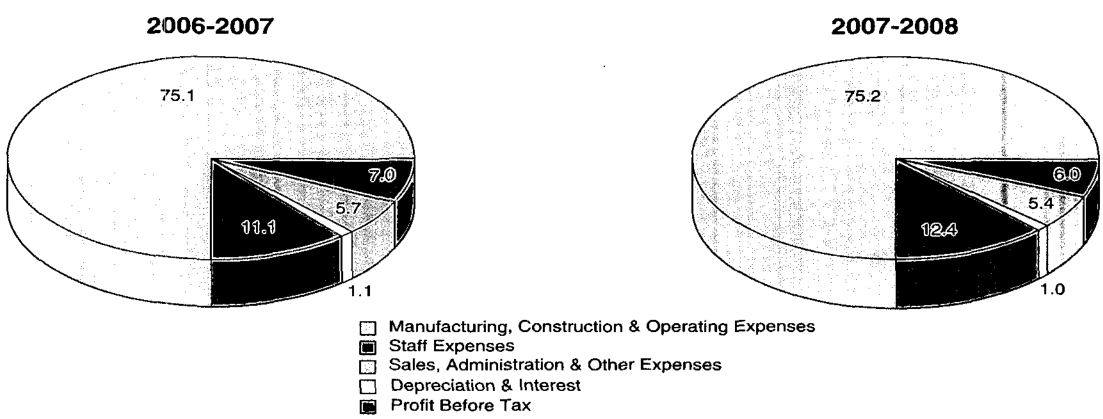
Manufacturing, construction & operating expenses

Manufacturing, construction and operating expenses during the year 2007-2008 at Rs.19,130 crore were contained at the previous year's level of 75% of Total Income, despite the impact of rise in input costs, particularly for long gestation projects. This could be achieved through efficient execution of projects, better product offerings, besides improved procurement and logistics management. The Company has successfully implemented various operational excellence programs designed with the help of external consultants so as to optimise on cost and delivery commitments.

Though Staff cost for the year at Rs.1,535 crore has increased by 22%, it has decreased by one percentage point over the previous year when seen in relation to its percentage of Total Income. The Company added 4750 employees during the year to ramp up project and manufacturing capacities, both at existing and new locations. While the expenses on salaries and wages have grown in line with the sales growth, the retirement benefit provisions have reduced as compared to the previous year, which carried an additional actuarial liability charge pursuant to adoption of the revised Accounting Standard 15.

Sales, Administration and Other Expenses at Rs.1,386 crore has increased by 35% over the previous year. However as a percentage of Total Income, the same has reduced by 0.3% to 5.4%. With a view to expanding international business, the overseas travel on marketing and business development has increased leading to increase in travel expenses. Certain customer jobs involving transportation of over-dimensional consignments incurred higher transportation expenses resulting in the increase in packing and forwarding expenses. The Company has also incurred higher professional fees on consultancy services obtained for operational excellence

EXPENSES AS % OF TOTAL INCOME*



* Total Income = Sales & Service (net) + Other Operational Income + Other Income

initiatives for optimising manufacturing and project costs. Other administrative expenses like rent, rates & taxes, power, building repairs & general maintenance expenses have *increased in proportion to the increase in level of activities* and deployment of resources.

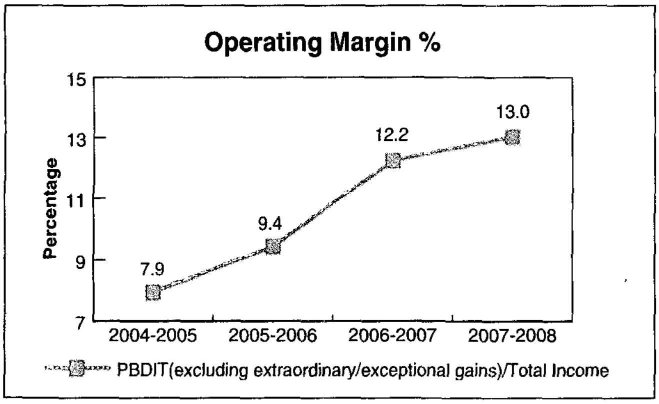
Certain Expenses of 2006-2007 have been reclassified from Sales & Administration to Mfg. Constructions & Operating in line with the functional classification adopted in 2007-2008.

Interest Cost

The gross interest cost at Rs.123 crore is higher by 32% over the previous year, due to the incidence of higher borrowing to fund the Company's growth plans. The gross interest cost at 4.3%, per annum is well below the prevailing benchmark interest rate. During the year, the proportion of the lower interest bearing foreign currency denominated loans increased to 87% as compared to the previous year level of 79%. This coupled with better interest rate management through appropriate derivative instruments, saw the average interest cost softening further over the previous year by one percentage point.

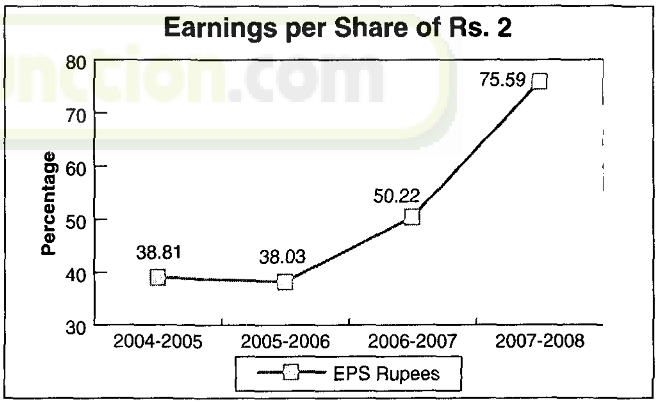
Sound trend of Profitability

All the business segments have posted healthy growth in profitability over the previous year. Excluding an exceptional gain of Rs.87 crore on divestment, the Company's Operating Profit [PBDIT] at Rs.3,318 crore grew by 52% on a like to like basis over the previous year. The growth in operating margins translated into an increase of 0.8% of Total Income over the previous year 2006-2007, which had witnessed a 2.8% rise over the year 2005-2006. On similar basis, the Profit Before Tax [PBT] excluding extraordinary/exceptional gains at Rs.3,068 crore showed a robust increase of 55% as compared to the previous year. The profitability growth has been achieved despite reckoning the mark to market loss on derivative contracts outstanding as at the end of the year, to the extent of Rs.171 crore.



Income tax provision grew by 46% over the previous year at Rs.893 crore in keeping with the increase in profits. The effective tax rate, however, works out to 29% of the business profits, marginally lower when compared with that of previous year.

Profit After Tax (PAT) excluding extraordinary/exceptional gains registered a healthy growth of 52% at Rs.2,099 crore as compared to the previous year's similar PAT of Rs.1,385 crore. Basic Earnings Per Share [EPS] increased by 51% to Rs.75.59 per share, on a larger number of qualifying shares issued pursuant to the conversion of Foreign Currency Convertible Bonds, issue of GDSs and allotment of shares under the Company's ESOP scheme.



Segment wise Performance

Engineering & Construction Segment

The financial highlights of this segment are:

Rs.crore

	2007-2008	*2006-2007*
Order Inflow	35,392	*25,257*
Order Book (End)	50,931	*35,333*
Gross Revenues *	19,376	*13,425*
EBITDA % on Gross revenues	12.8%	*11.3%*
Funds Employed as % of Gross Revenues	21.2%	*21.5%*

* *The above figures include Inter Segment Revenues*

The Segment bagged large projects & construction orders in the various sectors like Airports, Power Plants, Deep water Port, Refineries & Petrochemicals, Steel, Roads, Process Plants, Water, Realty and other infrastructure sectors within India. In the international arena, the Segment bagged orders from diverse sectors such as Hydrocarbon, Ship building, Power and Commercial Structures. Export Orders constituted 17% of the total Order Inflow. The share of Orders in excess of Rs.100 crore each increased from 77% in 2006-2007 to 82% in 2007-2008, signifying the increased scale of operations.

Revenues surged by 44%, largely out of the opening Order Book as on April 01, 2007. Segment operating margin grew by a clear 1.5% point to 12.8%, vindicating the high quality of orders executed during the year. Adherence to the project timelines, operational & procurement efficiencies and above all, judicious selection of orders have contributed to this excellent performance of the Segment.

Segment Funds Employed as at the year end has increased in line with the growth in revenues as compared to the previous year end position. The Net Funds Employed at Rs.4,107 crore is higher by 42% when compared to the previous year. While the working capital needs have marginally increased, the capacity ramp up for manufacturing and project execution has resulted in increased capital expenditure of over Rs.1,000 crore as compared to the level of previous year.

Electrical & Electronics Segment

This segment has been growing consistently maintaining its domestic leadership position in most of its products, despite severe competition from the international players. Healthy growth trends in the industrial sectors have also aided the segment to deliver satisfactory results for the year. The Segment financial highlights are:

Rs.crore

	2007-2008	*2006-2007*
Gross Revenues *	2,663	*2,067*
EBITDA % on Gross Revenues	15.8%	*15.9%*
Funds Employed as % of Gross Revenues	38.1%	*34.3%*

* *Gross Revenues include Inter Segment Revenues*

The Segment led by Electrical Standard Products delivered a healthy revenue increase of 29% over the previous year. The Segment operating margins were sustained at 15.8% when compared with the previous year, in-spite of a significant rise in commodity prices. The surge in demand for electrical & control automation products/systems has helped in improvement of product realisations. The businesses have ensured sustained quality offerings thereby commanding a premium in the market. With improved plant utilisation and global sourcing initiatives the operating costs have been reigned in effectively.

The segment funds employed as at the end of the year increased by 43% to Rs.1,014 crore, largely due to ramp up in manufacturing capacities in existing and new locations & also due to continuing competitive market conditions. The segment incurred higher capital expenditure during the year to meet the challenging growth targets as per Lakshya/ Perspective plans.

Machinery & Industrial Products Segment

This business segment serves the buoyant core industrial and infrastructure sectors, thereby reaping the benefits of the current upturn. The Segment financial highlights are presented as under:

Rs.crore

	2007-2008	*2006-2007*
Gross Revenues *	2,411	*1,843*
EBITDA % on Gross revenues	18.3%	*17.5%*
Funds Employed as % of Gross Revenues	18.2%	*16.9%*

* *Gross Revenues include Inter Segment Revenues*

The Segment led by Construction and mining equipment business registered a healthy growth in revenues and margins. The segment Sales grew by 31% over the previous year driven by construction equipment growth of 53%. Improved profitability demonstrates its ability to command higher realisations in the domestic market of the segment, despite a drop in export market realisation due to an average 10% appreciation of rupee vis a vis USD during the year.

Other businesses

The Segment constitutes Ready Mix Concrete and Technology Services (engineering design & embedded systems) businesses. The financial highlights of the Segment are:

Rs.crore

	2007-2008	2006-2007
Gross Revenues *	1,307	*944*
EBITDA % on Gross Revenues	8.7%	*9.2%*
Funds Employed as % of Gross Revenues	25.7%	*20.6%*

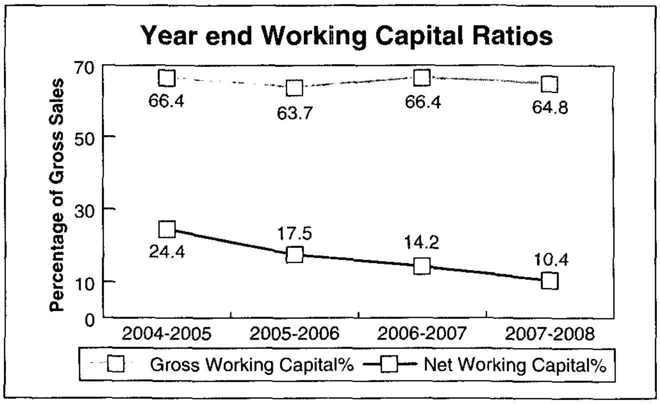
**Gross Revenues include Inter Segment Revenues*

In tandem with the growth in construction industry, Ready Mix Concrete [RMC] business reported 33% increase in revenues at Rs.1,020 crore over the previous year. The business witnessed significant increase in input cost. Being volume driven, this business demands high amount of administrative and logistical support at numerous sites. In order to release the critical management time and resources in favor of its core businesses, management has decided to divest this business. The divestment will be formalised during the first half of 2008-2009.

Revenues of Technology Services, comprising e-Engineering & Embedded Systems businesses, grew by 36% over the previous year. Segment margin for the business was lower at 9.6% due to rupee appreciation.

Funds Employed

The business segments have invested in creating additional manufacturing and project execution capabilities, keeping in mind the growing opportunities unfolding in India and neighboring Gulf region. At the same time, in order to generate higher internal accruals for this ramp up, the segments have been bringing down the working capital as a percentage to the sales revenues over the years. The business net working capital as a % to sales reduced from 14.2% at the end of the previous year to 10.4% of sales by the end of 2007-2008, a significant drop of 3.8%. For the Company as a whole, the net working capital reduced by 2.9% of sales to 14.6% of sales.



Year end Net Customer Outstanding at Rs.7,369 crore, represented 107 days of Sales as compared to 112 days of sales in 2006-2007. The increases in inventory levels of materials, project work in progress and other receivables were well covered by higher customer advances and vendor credits.

The Company incurred Rs.1,647 crore towards capital expenditure, out of which Rs.1,503 crore was used by business segments for ramping up capacities at existing and new locations. For mega project orders under execution, the Construction division has incurred a capital expenditure of Rs.733 crore for beefing up the plant and machinery. Capacity at Hazira Campus is being augmented to act as a major hub for fabrication of complex pieces of equipment, ship building and manufacture of power plant equipments. Coimbatore Campus is fast developing into another manufacturing hub to cater to the increased needs of the Product Segments.

Financial condition and Liquidity

The Company's cash flow position as at the year end continues to remain strong. Increased liquidity has strengthened the Company's confidence for launching new growth initiatives for the existing and emerging businesses in ship building, power, infrastructure and financial services.

Rs.crore

Liquidity & Capital Resources	2007-2008	2006-2007
Cash & cash equivalents at beginning of the period	1094.43	*583.20*
Add: Net Cash provided/ (used) by :		
Operating activities	1945.24	*2130.45*
Investing activities	(5241.89)	*(1588.17)*
Financing activities	3166.68	*(31.05)*
Cash & cash equivalents at end of the period	964.46	*1094.43*

Fresh foreign currency borrowings were raised from Banks at extremely competitive rate to the extent of Rs.1,741 crore in the form of External Commercial Borrowings (ECBs). The Company successfully raised capital of Rs.1,576 crore through Global Depository Shares (GDSs) at an impressive price of Rs.3,939 per share. The additional funds raised were utilised for capital expenditure to enhance the operating capabilities of the business segments besides investing in subsidiary companies for the existing and new ventures to the extent of Rs.997 crore.

The gross debt equity ratio remains low at 0.38:1 which demonstrates the Company's ability to further leverage its strong financial position to fund its growth ambitions. The Company continues to enjoy the international credit rating of "Baa2" with stable outlook, awarded by Moody's Investors Service. This rating is one level above nation's sovereign foreign currency rating. The rating in the domestic markets continues to be AAA, the highest rating awarded by CRISIL, the credit rating agency.

L&T Consolidated Group Financial Performance Review

L&T Group

The consolidated financial statements have been drawn as per Accounting Standards 21 and 23 issued by the Institute of Chartered Accountants of India. A total of 79 Subsidiary companies, 22 Associate companies and 14 Joint Ventures have been consolidated in arriving at the Group performance. These companies operate broadly in the following sectors:

1. Information technology, financial products & services
2. Engineering & project management
3. Infrastructure development projects & services
4. Manufacturing of industrial equipment, machinery and products

The Group Total Income excluding extraordinary/exceptional gains was higher at Rs.29,848 crore, reflecting a growth of 43% over the previous year. The smart growth is largely due to significant increase in revenues of Domestic Subsidiaries by 56% & International Subsidiaries by 69% over the previous year. Apart from the growth in traditional IT and finance sectors, sustained growth has come from construction sector in the Gulf, on the back of buoyancy in the oil economy.

The Group reported Profit After Tax (PAT) at Rs.2,325 crore for 2007-2008, after reckoning a net gain of Rs.21 crore on divestment of stake in HPL Cogeneration Limited. The Group PAT excluding the exceptional gains rose by 27% as compared to the previous year. The Group PAT for the previous year included Rs.430 crore exceptional gains arising out of dilution/divestment of stake in some of its subsidiaries and infusion of capital by third parties at a premium. The share of profits of Associate companies has also increased significantly by 43% at Rs.136 crore, largely contributed by the manufacturing JV companies.

The consolidated gross Debt to Equity as on March 31, 2008 has increased to 1.14:1, largely due to increase in borrowings for growing financial services businesses to capitalise on the booming financial sector. Given the value unlocking potential of the infrastructure and core sectors, the Group's present financial strength could get further augmented in medium to long term.

Risk Management

The Company seeks to enhance shareholders' value through a robust risk discipline which enables it to match the risk profile of the various businesses with their return expectation. The Company's Risk Management function is headed by the Chief Risk Officer at Corporate level & Risk Officers at each of its Operating Divisions.

Enterprise Risk Management Framework

The Company has strengthened its Enterprise Risk Management Framework by bringing under its purview Strategic risks, Operational risks & Corporate Function risks apart from Project & Product Business related risks. It aims at understanding the intricacies & complexities of these risks and seeks to adopt appropriate measures from time to time to mitigate their adverse impact.

Strategic risks are being monitored closely under the Lakshya program by the Corporate Strategy team. Corporate Function Risks, Operational Risks & Project/Product Business level risks are monitored by the office of the Corporate/OD Risk Management.

Project Risk Management

The Company diligently follows the Project Risk Management framework for identifying, assessing & monitoring risks at the time of bidding for projects and also during the course of their execution.

Risk offices in each of the Operating Divisions facilitate identification, quantifying & mitigating the risks by closely working with the Project teams. The Risk Management Committee & the Project Review Committee review the projects periodically and advise the bidding/execution team on mitigation avenues. The businesses follow a well-documented set of risk policies, framed around the uniqueness of business of each concerned Operating Division.

Corporate Function Risk Policies

There are a number of Corporate Functions which may give rise to risks unless proactively managed, adversely affecting the operations of the Company as a whole. The Company has taken specific steps to address the risks in these Corporate Functions and accordingly framed Corporate Level Risk Policies in areas such as Information Technology, Legal, Secretarial, Taxation & Communication.

Other Risks & Concerns

Management has identified certain areas of risks to which the Company is exposed. These are discussed below along with the actions initiated for managing the same.

1. ***Vulnerability to World Macro Economic developments***

The Company is exposed to changes in Trade, Monetary and Fiscal policies of the countries in which it operates and also to other global economic developments. Most of the Company's manufacturing and distribution facilities are located in India and a significant part of its revenues is derived from the domestic market. The Company is vulnerable to the pace of economic reforms and deregulation being pursued by the Indian Government.

The Company is exposed both directly & indirectly to uncertainties in the global markets especially the slow down in the USA & the EU economies. The slowdown in these markets may hamper the credit availability, the flow of Foreign Direct Investment and the capital investment plans of many corporates. The outcome of these global uncertainties could result in reduction/ deferment/cancellation of capital expenditure plans of the target clients, thereby adversely affecting the business prospects of the Company which is a dominant player in the Capital Goods Sector.

The Company regularly keeps track of the emerging global scenario so as to realign its business strategy as may be called for.

2. ***Risk from Competition***

In recent years, India's liberalised regime has created opportunities and also increased competition in the Manufacturing and Engineering & Construction businesses, which have seen significant interest of foreign players.

In the Engineering & Construction business, the competitive environment in which the Company operates varies depending upon size, nature & complexity of the project and on the geographical region where the project is to be executed. The Company competes against major U.S, European, Korean and other East Asian engineering & construction companies. Of late, it has been exposed to aggressive competition from a host of international & domestic players.

The Company's approach has been to concentrate on larger size projects befitting its engineering capabilities & competencies, helping it to move up the value chain and keep off stiff competition. Towards this end, the Company has taken various measures like focusing on technological tie up, setting up manufacturing facility for power equipment, expanding fabrication capacity, etc.

In product business, the company's competitors vary from product to product. In the electrical industry, the Company competes with various U.S & European Companies. In the industrial product business, the Company is facing increased competition from Chinese manufacturers. The Company tries to mitigate the competition by continuously improving upon product, technology and process benchmarks of International majors, introducing new product variants, focused customer approach & differentiating on quality and price.

3. ***Risks of Fixed Price Contracts***

A significant percentage of the Company's contracts are fixed-price contracts, won through competitive bidding. The revenue and cost of a contract may vary from original estimates due to, among other things, changes in project conditions, escalation in costs of

raw materials, variations in labour cost and productivity, equipment costs, variation in foreign exchange rates, etc. These variations and other risks inherent in the project business may result in the Company experiencing reduced profitability or losses on certain projects.

The Company also provides performance guarantees for contractual performance and, therefore, in the event of non-performance of specified obligations, it may be liable to pay out significant amounts.

Although the Company seeks to minimise its project risks through a rigorous review both at the pre-bid stage & also during execution, a combination of unforeseen circumstances may result in significant losses on a particular project. The Company has institutionalised a risk management system by which the project risks are continuously tracked during the course of execution and mitigated.

4. *Risks from Suppliers/subcontractors in timely delivery of supplies/services.*

In some of the Company's key business operations, such as the manufacture of products and execution of project orders, it relies on third parties for timely supply of specified raw materials, components, equipment and services. Although it actively manages these third-party relationships to ensure continuity of supplies on time and to meet its required specifications, some events beyond the Company's control could result in the complete or partial failure of supplies or in supplies not being delivered on time. Any such failure can adversely affect the Company's cost and delivery targets.

The Company also employs subcontractors, to perform certain key operations. Failure by subcontractors, to meet the specified completion date could delay completion of the overall project and may lead to delayed payment/levy of penalties. The Company tries to mitigate these risks by insisting on a pre bid tie-up with the major suppliers/subcontractors in regard to assured cost & delivery.

5. Ability to attract & retain skilled professionals

The Company's ability to successfully complete projects and to win new orders depend largely on its ability to attract, train, motivate and retain highly-skilled professionals, particularly project managers and other experts, including engineers. Industry-wide surge in salaries, increasing aspirations to work with multinationals and creation of attractive opportunities in the emerging sectors witnessing high growth, have widened the manpower demand-supply gap and resulted in a higher employee turnover across the industry.

The Company has taken a number of initiatives like up-gradation of the compensation structure, providing scope for a fast-track career growth, setting up a project management institute, conducting a company-wide people engagement and leadership development program, etc. which are paying rich dividends.

6. Financial Risks

(a) Liquidity and interest rate risks

To fund its growth, expansion and new ventures, the Company requires timely access to funds. Movements in the international liquidity conditions may affect the timely availability and the cost of funds.

The Company manages its operations in a way that requires considerably low working capital borrowings. With low gearing levels currently, the Company has the capacity to raise significant amounts of debt. The Company has adequate banking lines and a P1+ domestic credit rating to manage short term liquidity gaps.

A variety of funding alternatives spanning different products, currencies, maturity profiles and investor classes, apart from financial risk management tools, help the Company mitigate interest rate risk.

(b) Foreign exchange fluctuation

With a growing thrust on exports and global sourcing, the Company has been subjected to significant foreign exchange fluctuations. The Company's Treasury desk works with the business units before and after the exposures are crystallised, and manages risks through operations in global currency markets in accordance with policies approved by the Board.

(c) Commodity Price Volatility

The Company is exposed to variations in prices of steel, oil, cement, copper, nickel, zinc, aluminum, etc. in its project and product businesses. Rising material costs affect profitability and competitiveness, particularly in cases of lump-sum turnkey contracts without any price-escalation clause. The Company manages the commodity price risk through various initiatives, viz. bulk procurement, freezing critical commodity/component prices prior to bidding for projects, hedging etc.

Internal Controls

The Company has a separate department to oversee the Internal Controls both from the business process and regulatory compliance point of view. The Company has also formulated a Corporate Policy on Internal Controls to provide a structured framework for identifying and rectifying Internal Control weaknesses as also monitoring and reporting the same to the Corporate Management. It details the specific responsibilities and tasks enjoined upon the employees in certain positions.

Apart from a structured framework, the Company has well documented policies, procedures and authorisation guidelines commensurate with the level of responsibility and standard operating procedures specific to the respective businesses. The effectiveness of internal control mechanism is reviewed by independent audits carried out by Corporate Audit Services from time to time.

The significant observations made in internal audit reports on internal control deficiencies, if any, and the status on implementation of recommended remedial measures, are regularly presented to and reviewed by the Audit Committee of the Board.

HR Strategies

The Company has always valued and nurtured its human resource. Nonetheless, globalisation, high growth of the Indian economy in recent times and its ambitious growth targets have made talent attraction and retention amongst the biggest challenges the company faces today.

The Company recruited over 1000 Graduate Engineer and Diploma Engineer Trainees during the year from over 300 engineering colleges across the country. "Prayag" an induction program for Graduate Engineers help them to transition from the academic to the industrial world – to understand how engineering knowledge is applied in practice. The Training and development department offers a wide menu of training programs to young graduates to help develop their technical, behavioral and managerial skills.

The Company believes in continuous development for all its employees. Accordingly, an e-learning portal called ATL – "Any Time Learning" has been launched. With the help of this online facility, employees are able to learn at their own convenience and pace. The portal has been augmented to make it more user-friendly and the number of programs has also been increased.

A People Management program was launched during the year to help managers sharpen their skills in managing people and build strong inter-personal relationships. Over a hundred programs have been conducted covering around a thousand managers.

In order to increase the leaning curve of the employees, additional training facilities have been added. While training facilities at Madh in Mumbai and at Mysore have been established, Management Development Centre at Lonavala is being expanded so as to double the capacity for conducting more number of management and leadership development programs.

Leveraging Information Technology

Over the years, the Company has made significant investments in applying IT to its complex business processes and has derived immense benefits by improving its competitive edge.

The company is presently focusing on implementing niche solutions for specific business processes relating to design & engineering, manufacturing, inspection, workflow & document management, knowledge management and also automating certain non-core activities that were not covered by the ERPs. Customised engineering and design software are in use for accurate and error free drawings used in large turnkey engineering and construction projects. For complex and tailor made manufacturing operations, IT solutions such as Product Lifecycle Management, Radio Frequency Identification and Wireless technologies are in use to derive greater efficiency and speedier delivery.

The company has developed an IT Governance and Risk Management framework that focuses on IT-Business alignment, Value Delivery, IT Performance & Metrics, Support and Information Security. Information Security is enabled through a combination of technology implementations and processes supported with well trained manpower. The Enterprise Disaster Recovery center has been operationalised to ensure business continuity. Many of the units have been certified under the ISO 27001 standard for Information Security.

Environment & Sustainable development

The Company has always been conscious of the fact that while striving for economic growth, there is a larger responsibility to protect environment and be responsive to society. It always makes conscious efforts to apply the latest technology, wherever possible, in the various mega projects that it executes, keeping the best interest of protecting the environment and combating global warming/ozone depletion in mind.

The Company has initiated a number of steps to conserve the natural resources such as water and energy at its various manufacturing and project locations. Efforts have been successfully made at manufacturing locations to exploit renewable energy sources for its power requirements. At its Mumbai Campus, approximately 80% of the energy requirement is being met through wind energy.

The Company takes utmost care in monitoring the occupational health and safety performance at its major manufacturing and project locations. There is a dedicated Environmental Health and Safety (EHS) department to check the entire organization's EHS performance against the set criteria.

SUBSIDIARIES & ASSOCIATES PORTFOLIO

L&T continues to invest in its Subsidiary & Associate companies (hereinafter referred to as S&A companies) to accelerate their growth momentum. The S&A portfolio is increasing in size as well as in number and ably supports the parent Company's business particularly in infrastructure & hydrocarbon sectors. The key subsidiary companies in information technology & financial services business are growing rapidly. Developmental projects portfolio are expected to increase with more number of projects coming on PPP (Public Private Partnership) basis. While the manufacturing companies are also witnessing a robust growth, many of the international subsidiaries in Middle East and China are in their early stages and are expected to make meaningful contributions in the years to come.

The S&A companies, operating in the following businesses, have recorded a healthy growth in revenues and profitability during FY 2008-2009:

(I) Information Technology Services (II) Financial Services (III) Engineering & Construction (IV) Electrical & Electronics (V) Machinery and Industrial Products

REVIEW OF OPERATIONS OF KEY COMPANIES:

DOMESTIC COMPANIES

I. INFORMATION TECHNOLOGY SERVICES

A. LARSEN & TOUBRO INFOTECH LIMITED (LTIL): Subsidiary Company

LTIL, a wholly owned subsidiary of L&T, formed in 1996, is engaged in providing IT solutions and software consultancy globally. The Company renders both onsite and offsite services through its offices located in India, USA, Canada, Denmark, France, Germany, Middle East, Japan and UK. Its overseas subsidiaries are located in Canada, Germany and USA. The Company offers services in the areas of Application Maintenance & Development, Enterprise Resource Planning & specialized services like Data Warehousing & Business Intelligence, Testing Services and Infrastructure Management Services. Around 26% of the Company's total number of clients is in the Global / Fortune 500 list.

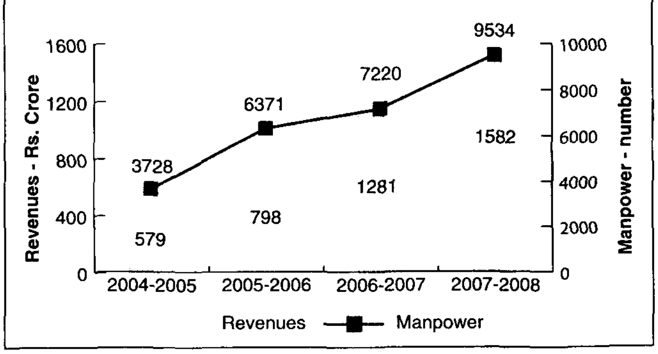
Performance:

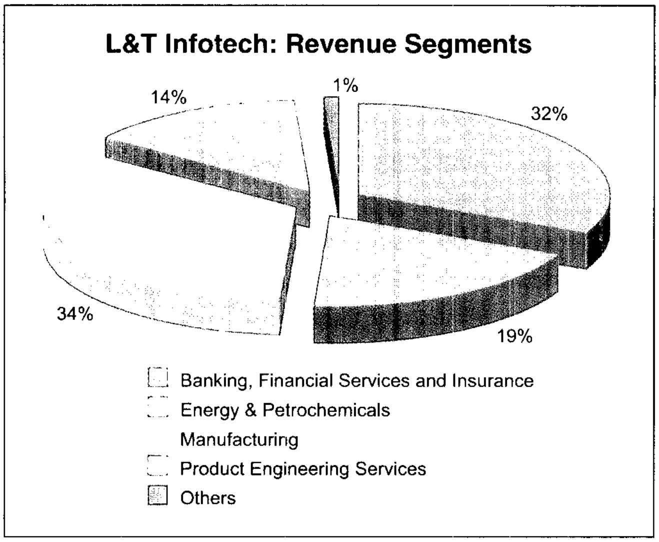
The year 2007-2008 was a test of resilience for the Indian Information Technology (IT) sector. The US dollar depreciated 8% vis- à- vis the Indian rupee. Fears of slowdown in the US economy fuelled by the sub-prime crisis and inflationary trends due to high crude prices added to the concerns about the sustainability of growth momentum in the IT sector. Despite the above, the Company achieved total revenues of Rs. 1,581.68 crore in FY 2007-2008 as compared to Rs. 1,281.46 crore achieved in FY 2006-2007, registering an increase of 24% in rupee terms and of 40% in US dollar terms. Profit after tax in FY 2007-2008 at Rs. 211.13 crore registered an increase of 40% inspite of sharp rupee appreciation.

During the year, USA continued to be the leading destination contributing 74% to the total software exports; Europe and Asia Pacific contributed 13% and 8% respectively. 59% of the Company's exports came out of onsite services and the balance through offshore development centres. The Company continues to focus on providing IT solutions to Banking, Financial Services & Insurance, Manufacturing Energy & Petrochemicals and Product Engineering Services (comprising of Communications & Embedded Software) verticals.

During the year, the Company expanded its infrastructure by commissioning new development

L&T Infotech - Revenues & Manpower





centres at Navi Mumbai & Bangalore. Notwithstanding talent related challenges, the Company increased its manpower significantly by 2,314 employees taking the strength to 9,534 at the end of the year.

Outlook:

The Company has nurtured long-standing client relationships and has been consistently delivering superior quality and process execution to all its customers. It also leverages the domain and functional skills from the parent Company in the areas of manufacturing, oil and gas, etc. Considering that the Company's revenue is highly skewed in favour of North America, the Company is making concerted efforts to increase the share of business from Europe, Middle East, etc.

Overall software & services revenue including the Domestic market is expected to be USD 73-75 billion by FY 2010. However, competition is expected to intensify not only from Indian domestic companies but also from emergence of other low cost centres like Ireland, Philippines, Mexico, East Europe & Latin America. Nevertheless, given the sustained global IT maintenance needs, the Company sees the growth momentum to sustain in the medium term.

B. LARSEN & TOUBRO INFOTECH GmbH (L&T Infotech GmbH): Subsidiary Company

L&T Infotech GmbH provides software services in Banking, Financial Services & Insurance and Communication & Embedded Technology business in Germany. During FY 2007-2008, the Company recorded revenues of Rs. 42.80 crore (previous year: Rs. 25.54 crore). The profit after tax for FY 2007-2008 was Rs. 1.59 crore (previous year: Rs. 0.39 crore).

C. LARSEN & TOUBRO INFORMATION TECHNOLOGY CANADA LIMITED (LTIT Canada): Subsidiary Company

LTIT Canada provides software services in Financial Services, Insurance and Oil & Gas sectors in Canada. During FY 2007-2008, the revenues of the Company amounted to Rs. 33.36 crore (previous year: Rs. 15.72 crore). The profit after tax for FY 2007-2008 was Rs. 0.36 crore (previous year: Rs. 0.37 crore).

D. GDA TECHNOLOGIES INC. (GDA): Subsidiary Company

Since the acquisition of 100 % stake by L&T Infotech in March 2007, it has been a year of integration and renewed business focus for GDA. The Company is concentrating in scaling up its revenues and focusing on establishing Offshore Design Centres (ODC) for its customers while continuing to grow in Intellectual Property and Custom Design & Manufacturing Services business segments.

During FY 2007-2008, the Company registered revenues of Rs. 53.53 crore and incurred loss of Rs. 14.91 crore. The Company is focused on creating high value technology products for its customers and is now a key player in Technology Services outsourcing space. The efforts towards integration and leveraging of L&T Infotech relationship is expected to improve the operational performance during the years ahead.

II. FINANCIAL SERVICES

A. L&T FINANCE LIMITED (LTF): Subsidiary Company

LTF, a wholly owned subsidiary of L&T, is a Non Banking Finance Company (NBFC) registered with RBI. It was

set-up to utilize the opportunities provided by L&T for offering comprehensive range of financial products and services.

LTF operates through its two main divisions namely, Enterprise Finance Group and Retail Finance & Distribution Group.

1. **Enterprise Finance Group (EFG)**

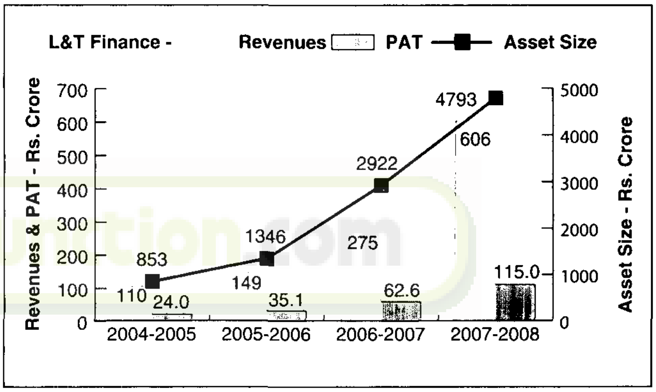
   EFG caters to the financial requirements of predominantly Small and Medium Enterprises (SMEs) through products like Asset-backed Term Loan, Leasing, Hire Purchase Finance, Vendor Financing, Dealer Financing, Sales-Aid Financing, Portfolio Purchases, Receivable Discounting, and Commercial Vehicles Financing. EFG provides financial assistance to entities engaged in the supply chain for L&T and others. LTF has built a sizeable customer base in the equipment finance segment.

2. **Retail Finance & Distribution Group (RFD)**

   RFD provides financing for purchase of tractors and loans to High Net worth Individuals (HNIs) against security of shares. Distribution of various third party products, including insurance and mutual fund products is a recent initiative of RFD. It presents a significant business opportunity by leveraging the existing retail customer base and widens the range of service offerings to customers.

Performance:

In line with its long-term goal of becoming a preferred provider of retail financial services in rural and semi-urban India, LTF continued with its plan to aggressively expand its branch network and operational teams to service these markets. During FY 2007-2008, LTF added 26 branches to its network, taking the total to 61, spread across 21 states. In line with the growth in branches, the total number of employees more than doubled to reach at 644 at the end of the financial year. Consequently, the Company achieved commendabale results during FY 2007-2008. Total assets grew by 64% from Rs. 2,922 crore on March 31, 2007 to Rs. 4,793 crore on March 31, 2008. With a surge in asset base, total income grew by 120% to Rs. 606.06 crore in FY 2007-2008. Despite pressures on interest rates during the year, profit after tax (PAT) grew by 84% to Rs. 115.01 crore in FY 2007-2008. Capital Adequacy Ratio continued to be comfortable at around 15% compared to the statutorily required 12%. During FY 2007-2008, the Company issued 6.25 crore equity shares of Rs. 10/- each, for cash at a premium of Rs. 30/- per share, aggregating to Rs. 250 crore to L&T, its holding Company to raise capital to meet its growth needs.



Outlook:

LTF will continue to leverage its relationship with L&T, while pursuing its strategy for growth, based on expansion and diversification. Keeping in view, the strong potential for growth in infrastructure and SME segments, the construction / farm equipment sector would be major thrust areas of business for LTF. The Company expects to maintain the growth trend in all its performance parameters in the medium term.

B. L&T INFRASTRUCTURE FINANCE COMPANY LIMITED (LTIFC): Subsidiary Company

LTIFC was incorporated as a wholly owned subsidiary of L&T in April 2006 and began operations in January 2007. The Company was registered with Reserve Bank of India as a non-deposit accepting non-banking financial institution.

LTIFC is engaged in the business of financing and developing infrastructure projects, covering sectors such as Power, Transportation, Telecommunication, Railways, Aviation, Shipping, Oil, Gas & Chemicals, Capital Equipment, Construction, Entertainment & Media, Healthcare, Industrial Parks, Logistics, Real Estate, Roads, Special Economic Zones, Urban Infrastructure, Agri Infrastructure, Tourism Infrastructure, Education and Social Infrastructure. The Company intends to leverage L&T's domain knowledge in the engineering and construction fields to provide infrastructure financing solutions through a mix of debt, sub-debt, quasi-equity and equity participation. It also provides active support to clients in the project development stage.

Performance:

During its first full year of operations in FY 2007-2008, LTIFC achieved a gross income of Rs. 122.00 crore and profit after tax of Rs. 51.26 crore. On a cumulative basis, as of March 31, 2008, LTIFC's gross approvals were Rs. 5,221 crore for 86 projects and gross disbursements were Rs. 2,023 crore for 42 projects.

Outlook:

Continued future growth of the Indian economy will require substantial investment in creating and improving infrastructure, providing significant opportunities for further infrastructure development and financing in India. LTIFC is gearing up to take advantage of these opportunities.

C. L&T CAPITAL COMPANY LIMITED (LTCCL): Subsidiary Company

LTCCL, a subsidiary of L&T Finance Limited, is engaged in fee based intermediation in corporate finance, debt syndication besides rendering financial and project advisory services. It has registered itself under SEBI as a Portfolio Management Service Company and with Association of Mutual Funds of India (AMFI) as a Mutual Fund Distributor / Advisor.

Performance:

During FY 2007-2008, the Company's revenues were Rs. 8.45 crore, as compared to Rs. 7.24 crore in the previous year. The profit after tax at Rs. 4.08 crore recorded healthy growth of 65% as compared to last year.

Outlook:

The Company is optimistic about its role in value adding financial intermediation. The Company has expanded its operations under Portfolio Management Services. The assets under management is over Rs. 1,250 crore and would remain the focus area of the Company in the years ahead.

III. ENGINEERING & CONSTRUCTION

A. INDIA INFRASTRUCTURE DEVELOPERS LIMITED (IIDL) : Subsidiary Company

IIDL, a wholly owned subsidiary of L&T, is a Special Purpose Vehicle (SPV) set up to own and lease a 2 X 45 MW Captive Co-generation Power Plant to IPCL's Gandhar Complex, Gujarat. It is a cash flow vehicle and is registered as a NBFC with RBI. The plant was completed and commissioned in May 2000 and the lease rentals are being received regularly.

Performance:

During FY 2007-2008, IIDL registered revenues of Rs. 27.93 crore (previous year: Rs. 41.54 crore). The reduction in total income is mainly due to lower lease rentals on account of expiry of primary lease period with IPCL on February 14, 2008 and weakening US Dollar. The net loss for FY 2007-2008 is Rs. 17.81 crore (previous year: Rs. 12.20 crore).

B. L&T–SARGENT & LUNDY LIMITED (LTSL): Subsidiary Company.

LTSL, a joint venture between L&T and Sargent & Lundy LLC Chicago, USA, is committed to providing

complete power plant engineering services to its customers. LTSL provides services to its parent companies as well as to a few niche customers in India and abroad. Besides being a major provider of Integrated Engineering Solutions through 3D modelling, the Company is now a renowned international consultant with a competent workforce and best global communication facility. The Company has carried out many prestigious projects within India and abroad.

Performance:

The Company has substantially improved its financial performance, with healthy growth in order inflows and revenues. The revenues and profit after tax for FY 2007-2008 were significantly higher by 83% at Rs. 41.82 crore (including exports of Rs. 30.01 crore) and by 197% at Rs. 3.68 crore respectively. The Company has been successful in securing a number of projects in the Middle East with prestigious clients like Al-Toukhi, Arabian Bemco, etc. To keep pace with its growth, the Company has increased its manpower from 315 engineers in FY 2006-2007 to 440 in FY 2007-2008.

Outlook:

The government has set an ambitious capacity addition target of 78,557 MW of power during the country's Eleventh five-year plan period (2007-2012). Consequent to the rise in power generation demand levels, the EPC business of power plants would receive higher number of projects, which in turn would bring increased power plant engineering business and growth. In the power sector, there exists numerous opportunities in Middle East as well. Given the good opportunities both in India and the Middle East, the prospects for LTSL appears bright.

C. L&T-CHIYODA LIMITED (LTC): Associate Company

LTC is an internationally reputed design & engineering Consultancy Company for Hydrocarbon Processing Industry. The Company was established in 1994 as a joint venture between Chiyoda Corporation of Japan and L&T with an equal stake.

LTC offers integrated engineering consultancy services to hydrocarbon sector and related industries including Petroleum Refineries, Petrochemical Units, Oil and Gas Onshore Processing Facilities, LNG/LPG Plants, Fertilizer Plants and Chemical Plants. Engineering services offered include Feasibility Studies, Basic Engineering, Front End Engineering & Design (FEED), Detailed Engineering, Procurement Assistance, Construction Supervision, Commissioning Assistance and Project Management Consultancy.

Performance:

During FY 2007-2008, the revenues have grown by 29% at Rs. 68.20 crore. Profit after tax was, however, lower at Rs. 7.53 crore as compared to previous year profit of Rs. 7.80 crore. Order inflows have increased substantially from Rs. 23 crore in FY 2006-2007 to Rs. 79.7 crore in FY 2007-2008.

Outlook:

The last few years in the Indian energy sector have been significant with the country witnessing a total of 112 oil & gas discoveries between the year 2003 and February 2007. Refining capacity in the country has increased to 148.97 MMTPA in 2006-07 as against 127 MMTPA in 2003-2004. Around 54 MMTPA of refining capacity has been planned by public sector refineries during the XI Plan period (2007-2012). As Indian companies invest into oil refining, aiming to increase the refining capacity by 62% to 241 MMTPA by 2012, the Company is geared to harness the promising market for its engineering and consultancy services in the coming year.

D. L&T-VALDEL ENGINEERING LIMITED (LTV) : Subsidiary Company

LTV, a joint venture between L&T and Valdel Investments Private Limited was incorporated in October 2004.

During FY 2007-2008, the Company has become subsidiary of L&T consequent to increase in its equity share holding in the Company from 50% to 95%. LTV provides complete engineering solutions for Upstream Oil & Gas sector and offers design engineering services covering concept / feasibility studies, de-bottlenecking studies, FEED, pre-bid Engineering, pre-engineering survey, detailed engineering, as-built documentation services and project management services for Oil & Gas projects globally.

Performance:

Revenues from operations increased by 70% to Rs. 42.64 crore in FY 2007-2008 and profit after tax at Rs. 6.70 crore grew by 65% over the previous year. The order book as at the end of FY 2007-2008 stands healthy at Rs. 39.40 crore, signifying the growing customer acceptance of the engineering services. After successfully executing a Concept-Feed project for one of the largest international E&P player, the Company plans to expand its presence in this line of business, besides also expanding its business into Floating Production, Storage & Offloading (FPSO) and Drilling Rigs markets.

Outlook:

Overall, domestic market looks promising for the next few years. Apart from ONGC, major international E&P players are expected to commit substantial investments in shallow as well as deep water segments. The Company through strategic alliances with deep water technology majors is building up capabilities to meet the growing demand in this segment.

E. SPECTRUM INFOTECH PRIVATE LIMITED (SIPL): Subsidiary Company

SIPL was formed in 1995 and was later acquired by L&T in 2006. The focus of SIPL is on technology and product development in embedded solutions & control and signal processing for Defence Research Development Organization (DRDO) laboratories, Aeronautical Development Agency (ADA), Defence PSUs and overseas clients. It has grown from designing and development of sub-systems to a full-fledged production organization capable of delivering in-house design sub-systems. The Company is actively involved in interactions with European, US and South African companies for possible tie-ups in various business areas of focus.

Performance:

The revenues have grown from Rs. 3.82 crore in FY 2006-2007 to Rs. 7.36 crore in FY 2007-2008. The Company achieved a profit after tax of Rs. 1.63 crore during FY 2007-2008 as against a loss of Rs. 0.70 crore in the previous year.

Outlook:

The outlook for defence electronics business is positive and the Company is expected to improve upon its performance in the coming years.

F. L&T-RAMBØLL CONSULTING ENGINEERS LIMITED (LTR): Associate Company

LTR is a joint venture Consultancy firm founded in 1998 by L&T and RAMBØLL A/s of Denmark. The Company provides engineering and project consultancy services for transportation infrastructure projects relating to Ports & Harbour, Roads & Highways, Bridges & Flyovers, Airports and Environmental Engineering. With its headquarters in Chennai, LTR also has offices in New Delhi, Hyderabad and Mumbai.

The Company is aiming to consolidate its position in the domestic market as advisors and consultants in project development & engineering by harnessing its strengths in the design & build segment. Apart from servicing the needs of L&T, it has also obtained business from other large infrastructure project promoters.

LTR has a very strong presence in the Ports & Airports sector. In the Bridges sector the Company has many detail design assignments slated for completion in time

for the commonwealth games in 2010. LTR has made an entry into the area of metros this year by bagging design and consultancy services for developing 5 metro stations in Bangalore.

Performance:

During FY 2007-2008, the Company achieved healthy order inflow, revenues and profits. While the revenues at Rs. 24.30 crore registered a growth of 53%, profit after tax grew by 21% to Rs. 3.52 crore, largely due to higher execution of detailed engineering assignments in the ports and airport sector.

With fast developing needs for technical upgradation and skills, LTR has formed a Technology Development section for acquiring and nurturing talent pool. In continuation of the initiative taken in the earlier years, LTR has set up a dedicated international design centre for undertaking design engineering work for European contractors focusing on Bridges and Road sector.

Outlook:

Infrastructure development is expected to continue during the Eleventh five year plan of Government of India with focus on Public Private Partnership. This is the niche market in which LTR has a distinguished presence among private sector clients. Further, the Company is expanding its international business spurred by good market prospects in this sector. The Company is hopeful of sustaining the growth momentum in the coming years.

G. FEEDBACK VENTURES PRIVATE LIMITED (FVPL): Associate Company

FVPL is an infrastructure service company engaged in providing infrastructure advisory to both government and private clients in India. The Company was incorporated in the year 1990 and L&T acquired a 26% stake in FY 2007-2008. The other shareholders in the Company are Mission Holdings Private Limited (The promoter group), IDFC and HDFC. It's head office is in Delhi along with four regional offices, and 50 project offices all over the country. Domain expertise of FVPL and market intelligence is expected to generate quality business and speed up the market penetration for L&T Infrastructure Finance Company Limited & L&T Infrastructure Development Projects Limited.

H. VOITH PAPER TECHNOLOGY (INDIA) LIMITED (VPTIL): Associate Company

VPTIL is a 50:50 joint venture Company between L&T and Voith Paper Germany formed for providing comprehensive solutions covering the entire paper making process and life cycle support. The Company enjoys technological leadership and the 'preferred supplier' status in the industry. Right from its inception, the Company has ushered in several new technologies with "Perfect Fit" solution for the Indian Paper Industry.

Performance:

During FY 2007-2008, VPTIL executed two large orders for paper making process line package. The Company reported revenues of Rs. 27.35 crore (previous year: Rs. 30.81 crore) and profit after tax of Rs. 6.33 crore (previous year: Rs. 8.91 crore).

Outlook:

The paper industry is on a growth path with expected CAGR of over 7%. With its experience and expertise, Voith Paper is well positioned for a promising future.

I. INTERNATIONAL SEAPORT DREDGING LTD (ISDL): Subsidiary Company

ISDL, promoted by Belgian dredging multi-national, Dredging International NV, was incorporated in March 2004 and L&T acquired a majority stake in May 2006. L&T presently holds 51% stake in the Company. The business spectrum of ISDL includes dredging, marine engineering services, land reclamation involving design, constructing, developing, modernizing, extending and maintaining ports & harbours in India & Middle East countries.

Performance:

ISDL has obtained large orders from Dhamra Port for capital dredging and reclamation which will be executed over a period of 3 years. During FY 2007-2008, the Company executed dredging contracts at Dhamra Port and Gangavaram Port apart from Sethusamudram, Ennore and Hazira. While the revenues at Rs. 208.41 crore grew significantly, the profitability was impacted by adverse soil conditions resulting in extra cost of dredging. As the contracts executed were on fixed price terms, the Company incurred a loss of Rs. 0.47 crore in FY 2007-2008 as against profit after tax of Rs. 5.46 crore in the previous year.

The Company intends to leverage on the technical tie-up with Dredging International for expanding its range of services. With an eye on the future, ISDL has contracted for acquiring two new dredgers, which will improve the operational efficiency and speed of dredging.

Outlook:

With a quantum jump in the international trade, Indian shores continuously need quick and frequent dredging. New shores are being identified for development of major ports on the western and eastern side of the country. The expected volume of capital dredging for next 5 years is 120-150 million cubic meters per annum. Accordingly, the Company has drawn up ambitious growth plans in capital dredging.

J. L&T INFRASTRUCTURE DEVELOPMENT PROJECTS LIMITED (L&TIDPL): Subsidiary Company

L&TIDPL has, over a period of time, built up capabilities in identifying and developing infrastructure projects, operation and maintenance of these projects and providing advisory services on financing and engineering. Private equity investors, JP Morgan Chase & Co. and IDFC hold 21.6% stake in L&TIDPL with the balance being held by L&T.

L&TIDPL's portfolio of 39 projects is well diversified with a balanced mix of projects across various sectors such as roads & bridges, ports, airports, and urban infrastructure. The Company's business is well complemented by parent Company's traditional strengths in execution of mega projects on turnkey basis. L&T Urban Infrastructure Limited, a 75% subsidiary of L&TIDPL is a holding Company for urban infrastructure / property development projects.

Performance:

During FY 2007-08, L&TIDPL has reported revenues of Rs. 38.78 crore (previous year: Rs. 198.42 crore) and profit after tax of Rs. 19.87 crore (previous year: Rs. 161.20 crore). The revenues and profits were high during the previous year owing to profit on sale of investments amounting to Rs. 121.96 crore.

Projects under implementation are at various stages of completion and are expected to generate revenues in the coming years.

As of March 31, 2008, L&TIDPL's portfolio includes:

Transportation Infrastructure:

Entity	Status (% holding)	Stage
Roads and Bridges:		
Narmada Infrastructure Construction Enterprise Limited	Subsidiary (100%)*	Operational
L&T Transportation Infrastructure Limited	Subsidiary (100%)*	Operational
L&T Western India Tollbridge Limited	Subsidiary (100%)*	Operational
Second Vivekananda Bridge Tollway Company Private Limited	Associate (33%)	Operational
L&T Panipat Elevated Corridor Private Limited	Subsidiary (100%)	Under implementation
L&T Krishnagiri Thopur Toll Road Limited	Subsidiary (100%)	Under implementation
L&T Vadodara Bharuch Tollway Limited	Subsidiary (100%)	Under implementation
L&T Western Andhra Tollways Limited	Subsidiary (100%)	Under implementation
L&T Interstate Road Corridor Limited	Subsidiary (100%)	Under implementation
Ports:		
Kakinada Seaports Limited	Associate (39%)	Operational
International Seaports (Haldia) Private Limited	Associate (22%)	Operational
The Dharma Port Company Limited	Joint Venture (50%)	Under Implementation
Airports:		
Bangalore International Airport Limited	17% stake	Operational

Urban Infrastructure:

Entity	Status (% holding)	Stage
L&T Urban Infrastructure Limited	Subsidiary (75%)	Holding Company
Tidel Park Limited	9% Stake	Operational
L&T Infrastructure Development Projects Lanka (Private) Limited	Subsidiary (74%)	Under Implementation

* Equity stake also includes L&T's equity stake in these SPVs

Outlook:

With continued emphasis on infrastructure, there will be significant opportunities in the coming years.

The Company, however, is gearing up to meet the stiff competition from local & international players and spiralling costs.

J.1. TRANSPORTATION & INFRASTRUCTURE PROJECTS

Operational SPVs

a. NARMADA INFRASTRUCTURE CONSTRUCTION ENTERPRISE LIMITED (NICE)

NICE, a SPV Company formed in the year 1997, is a subsidiary of L&TIDPL. NICE was formed with a specific objective of executing order secured on a Build-Operate-Transfer (BOT) basis for a second two Lane Bridge at Zadeshwar across the Narmada River in Gujarat on National Highway 8 (NH-8). The concession is over a period of 15 years. The project was completed in November 2000.

Performance:

During FY 2007-2008, NICE recorded growth in revenues at Rs. 36.08 crore as against Rs. 32.10 crore in the previous year. The profit after tax grew by 41% to Rs. 15.17 crore (previous year: Rs. 10.78 crore). Tariff increase along with saving in interest cost contributed to improvement in profitability.

b. L&T TRANSPORTATION INFRASTRUCTURE LIMITED (L&TTIL)

L&TTIL, a special purpose vehicle formed in the year 1997, is a subsidiary of L&TIDPL. L&TTIL was formed to execute the order secured, under BOT basis, of a 28 km bypass at Coimbatore Section of National Highway (NH-47) and construction of additional 2- Lane Bridge at Athupalam on River Noyyal in Coimbatore. The total concession period (including construction) is for 32 years for bypass and 21 years for the bridge. The construction of Athupalam bridge was completed in December 1998 and Bypass was completed in January 2000.

Performance:

L&TTIL has recorded revenues of Rs. 28.16 crore during FY 2007-2008 as against Rs. 23.54 crore in the previous year and profit after tax of Rs. 3.22 crore as against Rs. 8.12 crore in the previous year. The profit was lower on account of provision for Deferred Tax Liability of Rs. 5.21 crore. It is expected that the decision on four-laning of the bypass will be taken in 2008-2009.

c. L&T WESTERN INDIA TOLLBRIDGE LIMITED (L&TWIT)

L&TWIT is a special purpose vehicle formed in the year 1999, to execute the order secured under the BOT scheme for development of two lane bridge across River Watrak including its approaches near village Kheda in Ahmedabad–Vadodara Section of NH-8. The concession period is 10 years. The bridge was made open to traffic in March 2001.

Performance:

The Company reported revenues for FY 2007-2008 at Rs. 10.71 crore (previous year: Rs. 10.83 crore) and improved profit after tax at Rs. 2.64 crore (previous year: Rs. 2.41 crore). The increased traffic on the new expressway in the Ahmedabad-Nadiad section has led to stagnant collections. The Company expects to maintain the current level of operations during 2008-2009.

d. SECOND VIVEKANANDA BRIDGE TOLLWAY COMPANY PRIVATE LIMITED (SVBTC)

SVBTC is a Company formed during the year 2000-2001, for development, construction, operation & maintenance of the bridge across River Hooghly near Kolkata on BOT basis. The bridge has its approaches constructed as a high speed facility to connect NH-2 / NH-6 interchange and NH-34 through Belgharaia Expressway as well as to Kolkata through B.T. Road. L&TIDPL holds 33.33% stake in the Company.

The Company commenced its commercial operations in July 2007. The provisional results reflect revenues of Rs. 33.42 crore and a net loss of Rs. 36.07 crore for the period mainly due to lower traffic. The Company is

expected to improve its performance in the medium term.

e. KAKINADA SEAPORTS LIMITED (KSPL)

KSPL, a 39% associate of L&TIDPL formed in December 1998, is engaged in operation of the existing deep water port at Kakinada on Operate, Manage, Share and Transfer basis. Other joint venture partners are Konsortium Ports Pte Limited & South India Infrastructure Development Company, Emgee Logistics Private Limited, Salgaocar Mining Industries Private Limited and Everlink Asia Investments Limited. Agreements have been signed with Government of Andhra Pradesh for the expansion of this project.

Performance:

The volume of cargo handled during 2007-2008 was 12.6 million tonnes. The number of Offshore Supply Vessels (OSV) calls has increased by 49% to 1,162. The OSV finger jetties commenced operation w.e.f. 1st December 2007 resulting in an independent platform for serving Offshore Supply Vessels. The New cargo of "Raw Sugar" exports commenced at the newly constructed IVth berth during March 2008. During FY 2007-2008, revenues registered a growth of 23% at Rs. 109.48 crore. However, profit after tax was lower at Rs. 13.04 crore as compared to Rs. 23.61 crore in the previous year, due to one time write offs of the port dues deficit claim of Rs. 12.03 crore.

Outlook:

KSPL business is expected to be impacted adversely due to anticipated entry of new ports, Gangavaram & Krishnapatnam. Serving the Oil & Gas sector requirements has come up as a good business alternative and KSPL has the advantage of the established service point. To enhance business potential, efforts are being made to attract fertilizer cargo to KSPL during this year.

f. INTERNATIONAL SEAPORTS (HALDIA) PRIVATE LIMITED (ISHPL)

ISHPL, a 22% associate of L&TIDPL, was formed in December 1999 for construction, operation, management and maintenance of multipurpose berth at Haldia Dock Complex. It has constructed Berth No. 4A at Haldia Dock Complex of Kolkata Port Trust for handling bulk cargo on Build-Own-Operate-Transfer basis. The commercial operations started in January 2004 and the concession period is 30 years.

Performance:

During FY 2007-2008, the Company handled 3.14 million tonnes of coking coal. It recorded revenues of Rs. 64.87 crore (previous year: Rs. 66.70 crore) and profit after tax of Rs. 10.62 crore (previous year: Rs. 11.26 crore). The Company is expected to improve on its performance, going forward.

SPVs under Implementation

g. L&T PANIPAT ELEVATED CORRIDOR PRIVATE LIMITED (L&TPECL)

L&TPECL, a wholly owned subsidiary of L&TIDPL was incorporated in July 2005. The Company was formed to execute the order awarded for widening the existing 4 lane road to 6 lane road on National Highway No.1, construction of a 6 lane elevated structure and widening & construction of peripheral lanes in Panipat on BOT basis. The concession is for 20 years including the construction period.

L&TPECL is in the project implementation phase and is yet to commence commercial operation. The total estimated cost of the project is Rs. 422 crore.

h. L&T KRISHNAGIRI THOPUR TOLL ROAD LIMITED (L&TKTTRL)

L&TKTTRL, a wholly owned subsidiary of L&TIDPL, was

incorporated in November 2005. The Company was formed to design, construct, develop, finance, operate and maintain the road from the end of proposed Krishnagiri flyover to Thumpipadi and improve, operate and maintain the road from Thumpipadi to Thopurghat on NH-7 in the State of Tamil Nadu on BOT basis. The Concession is for 20 years including the construction period.

The total estimated cost of the project is Rs. 525 crore. The Project is in an advanced stage of implementation and is expected to open for commercial operations by the end of the calendar year 2008.

i. L&T VADODARA BHARUCH TOLLWAY LIMITED (L&TVBTL)

L&TVBTL, a wholly owned subsidiary of L&TIDPL, was incorporated in December 2005. The Company was formed to execute the order awarded for six laning of Vadodara to Bharuch section of NH-8 in the State of Gujarat on BOT basis. The concession is for 15 years including the construction period.

The total estimated cost of the project is Rs. 1,450 crore. The Company has obtained necessary approvals for the project and is expected to complete the construction in FY 2009-2010.

j. L&T WESTERN ANDHRA TOLLWAYS LIMITED (L&TWATL)

L&TWATL, a special purpose vehicle incorporated in November 2005, is a wholly owned subsidiary of L&TIDPL. The Company was formed to execute the order awarded for design, construction, development, finance, operation and maintenance of road from Jadcherla to end of proposed Kotakatta bypass on NH-7 in the State of Andhra Pradesh on BOT basis. The concession is for 20 years including the construction period.

The total estimated cost of the project is Rs. 373 crore. Construction of the facility is expected to be completed by the end of the calendar year 2008.

k. L&T INTERSTATE ROAD CORRIDOR LIMTED (L&TISRCL)

L&TISRCL is a wholly owned subsidiary of L&TIDPL. The Company was formed to execute the order awarded by NHAI for design, engineering, construction, development, finance, operation and maintenance of 76 km highway on Palanpur-Swaroopgunj section of NH-14 in the state of Gujarat and Rajasthan on BOT (Annuity). The Concession is for 17.5 years including the construction period. .

The total estimated cost of the project is Rs. 554 crore. The construction of the facility is expected to be completed by the end of FY 2008-2009.

l. THE DHAMRA PORT COMPANY LIMITED (DPCL)

DPCL, a 50:50 joint venture of L&TIDPL & Tata Steel Limited, has been awarded a concession by Government of Orissa for developing the existing minor port at Dhamra into a deep water all weather port under Built-Own-Operate-Share-Transfer. The project includes 62.5 km rail connectivity to the main Howrah-Chennai line at Bhadrak. The concession is for a period of 34 years (including 4 years of construction).

Dhamra Port will have a draught of 18.5 meters, which could accommodate super cape-size vessels up to 1,80,000 DWT. The port will handle all types of cargo, such as dry bulk, liquid and container cargo. This will be an advantage to the mineral hinterland of North Orissa, Jharkand, West Bengal and Chattissgarh. The port will be equipped with highly mechanized and advanced material handling facilities and hence will offer highly competitive loading and discharge rates to the users. The port will have a handling capacity of up to 25 million tonnes of bulk cargo per annum in the First

Phase which is expected to be completed in 2010.

The year 2007-2008 saw considerable progress in the implementation of the project. The Company acquired 2,768 acres of land out of the total requirement of 3,138 acres. Dredging and construction work are underway. The Company and the World Conservation Union (IUCN) have signed an agreement through which IUCN will provide assistance in developing environmental standards, designing potential mitigation measures during construction of the port and develop a sound environment management plan for development and operation of the port.

m. BANGALORE INTERNATIONAL AIRPORT LIMITED (BIAL)

BIAL is India's first Greenfield airport to be developed on a public-private-partnership basis. L&TIDPL holds 17% stake in this SPV. The cost of the project is Rs. 2,470 crore. The construction of the Airport began in July 2005. The airport was expected to commence its operations by March 30, 2008 but owing to delay in air traffic control services it started operating from May 24, 2008. The existing HAL airport has been closed for commercial operations.

The passenger terminal is expected to handle over 13 million passengers (both international & domestic) in the first 12 months of operations. There are a total of 42 aircraft stands, all of which have fueling pits which would reduce turn-around time of the aircrafts. In the first phase of development, a car park for 2,000 cars in front of the terminal building at the ground level has been developed. The international departure section would eventually house one of the largest duty free outlets in India.

n. L&T INFRASTRUCTURE DEVELOPMENT PROJECTS LANKA (PRIVATE) LIMITED (L&TIDPLPL)

L&TIDPLPL is a SPV formed in the year 2006 with L&TIDPL holding 95% stake and remaining 5% being held by Equity Pte Limited, Singapore. The Company was formed with a specific objective of developing, constructing, operating and maintaining a multipurpose hi-rise tower of 55 floors in Colombo covering residential apartments, hospitality and commercial space.

The estimated cost of the project cost is USD 155 million. All approvals with respect to road traffic, fire safety, environment, etc. have been obtained from the respective departments of Colombo Municipal Council. The project is scheduled to be completed in 2011-2012.

J.2. URBAN INFRASTRUCTURE

L&T URBAN INFRASTRUCTURE LIMITED (L&TUIL): Subsidiary Company of L&TIDPL

L&TUIL was floated as a subsidiary to L&TIDPL in Feb 2006 to tap the rapidly growing urban infrastructure markets. The focus is mainly on development of residential, commercial projects besides IT Parks / SEZ. L&TUIL executes various urban infrastructure projects through its subsidiary and associate companies. 75% of the equity of L&TUIL is held by L&TIDPL, while HDFC and HDFC India Real Estate Fund together hold the balance.

Performance:

Under IT/ITES sector, L&TUIL has invested into 9 SPVs of which 5 are operational and four are under implementation. A total of 31 lakh sq. ft. space has already been developed in this sector. Development of 30 lakh sq. ft. is underway and a further 30 lakh sq. ft. is planned over the next two years or so.

Under residential sector, residential project Serene County at Hyderabad launched by L&T Infocity has been well received. Residential projects of L&T South City Projects Private Limited, and L&T Arun Excello Realty Private Limited, have also been launched during 2007-2008 and have commenced construction.

The current portfolio of L&TUIL includes:

a. L&T INFOCITY LIMITED (L&TIL)

L&TIL, formed in April 1997, is a joint venture with Andhra Pradesh Industrial Investment Corporation (11%), for developing information technology parks (HITEC city) to provide infrastructure facilities for IT & Financial Services sectors and Consultancy organizations.

Performance:

During the year under review, Serene County (residential project) has been the major ongoing project of the Company, the first phase of which has been successfully completed and booked. The construction of second phase consisting of four towers with Built up area (BUA) of 10.4 lakh sq. ft. is under progress and is expected to be completed by the end of the current year.

The operations in Built-to-Suit (BTS) projects set up for HSBC by L&TIL through subsidiaries/associates in Kolkata, Colombo and Visakhapatnam have been running smoothly. The level of customer satisfaction for the products and services rendered by L&TIL in its Multi Tenanted Facilities as well as BTS facilities continues to be good.

The Company has taken up development of an IT SEZ through its subsidiary 'L&T Hitech City Limited', the first of its kind in a Tier-II city like Vijayawada of Andhra Pradesh.

The good performance of L&TIL is reflected in the revenues which have grown by 78% at Rs. 194.64 crore in FY 2007-2008. The Company's profit after tax (PAT) was Rs. 49.35 crore (previous year: Rs. 41.83 crore). PAT for the previous year included Rs. 26.32 crore of extraordinary gain arising on divestment of stake in L&T Infocity Ascendas.

Outlook:

Opportunities will continue to be available due to huge potential in development of commercial & IT space in Tier II cities, unexplored potential in urban housing and huge untapped potential in facility management. L&TIL with its proven track record is well positioned to take advantage of these opportunities.

b. L&T INFOCITY LANKA PRIVATE LIMITED (L&TILPL)

L&TILPL is a subsidiary of L&TIL, promoted to do a BTS project for HSBC at Colombo, Sri Lanka. L&TIL holds 52% of equity in this Company. The Company has entered into a long lease agreement with HSBC.

Performance:

During FY 2007-2008, L&TILPL has recorded revenues of Rs. 4.17 crore (previous year: Rs. 4.33 crore) and earned a profit after tax of Rs. 2.09 crore (previous year: Rs. 1.45 crore).

c. L&T INFOCITY INFRASTRUCTURE LIMITED (L&TIIL)

L&TIIL, a 51% subsidiary of L&TIL, was floated to do a BTS project for HSBC at Salt lake, Kolkata. Land of 2.32 acres has been leased by Government of West Bengal to HSBC which is subleased to the Company for a period of 99 years. A state-of-the-art facility with 1.80 lakh sq. ft. has been built for HSBC.

Performance:

During FY 2007-2008, the Company has earned revenues of Rs. 4.96 crore (previous year: Rs. 4.95 crore) with a profit after tax of Rs. 1.58 crore (previous year: Rs. 1.43 crore).

d. HYDERABAD INTERNATIONAL TRADE EXPOSITIONS LIMITED (HITEX)

HITEX was promoted by L&TIL & National Academy of Construction (NAC) with Government partners, viz., Hyderabad Urban Development Authority, A.P.Tourism Development Corporation and Municipal Corporation of Hyderabad, in 2001. L&TIL holds 53.7% in HITEX while the balance is held by other share holders. HITEX is a modern fully air conditioned trade exposition centre having facilities to conduct product exhibitions on international standards. This facility is ideally located at Cyberabad and is equipped with large exhibition halls, huge parking spaces, conference facilities, offices of the exhibition service providers, other ancillary services and related facilities.

Performance:

During FY 2007-2008, 26 expositions were conducted by prominent organisers and associations. The revenues for FY 2007-2008 were Rs. 12.19 crore (previous year:

Rs. 11.77 crore) and profit after tax was Rs. 1.84 crore (previous year: Rs. 0.78 crore).

e. CYBER PARK DEVELOPMENT & CONSTRUCTION LIMITED (CPDCL)

CPDCL, a special purpose vehicle, formed in 2002 to set up an IT park at Electronic City, Hosur Road, Bangalore is a 51% subsidiary of L&TUIL. CPDCL has taken land on lease from Software Technology Parks of India for a period of 66 years. The first phase of the project, a multi-tenanted facility with 3 lakh sq. ft. BUA has been successfully completed.

Performance:

During FY 2007-2008, the Company reported revenues of Rs. 17.04 crore as against Rs. 34.59 crore in the previous year. Profit after tax was Rs. 9.15 crore as against Rs. 11.38 crore in the previous year. CPDCL has commenced development of phase II with a BUA of 2 lakh sq. ft. and has already marketed a substantial space. CPDCL is expecting good demand for its second phase as the elevated road on Hosur Road is expected to be operational in 2008.

f. L&T TECH PARK LIMITED (L&TTPL)

L&TTPL, a 51% subsidiary of L&TUIL, was formed to set up an IT SEZ park within the Infopark, at Kochi, Kerala, with an area of 7.44 acres on lease for a period of 90 years. L&TTPL was accorded a co-developer status of the SEZ in June 2006. L&TTPL has successfully implemented its first phase of the project, TEJOMAYA, a multi-tenanted facility with a saleable area of over 3.86 lakh sq. ft. Of this, 65% has been leased out as of March 2008.

Performance:

L&TTPL commenced its commercial operations during FY 2007-2008 and earned revenues of Rs. 17.38 crore & profit after tax of Rs. 0.90 crore. The Company is now embarking on development of its second phase with a BUA of 6.70 lakh sq. ft. comprising of twin tower signature buildings with multi level car park facility.

g. L&T-CROSSROADS PRIVATE LIMITED (L&TCRPL)

L&TCRPL is a joint venture with Piramal Holdings Limited, for a commercial venture at Nariman Point, Mumbai for developing and running a shoppertainment cum Parking Complex at prime business district of Nariman Point in South Mumbai. The land was provided by MMRDA on sub-lease for a term of 80 years whereat a multi level car parking space with 485 parking slots and commercial space of 1.08 lakh sq. ft. was developed which includes a multiplex.

Performance:

The revenues and profit after tax of the Company for FY 2007-2008 are Rs. 2.86 crore and Rs. 0.91 crore respectively as against Rs. 1.98 crore and Rs. 0.74 crore for the previous year.

Urban Infrastructure SPVs under Implementation

h. L&T SOUTH CITY PROJECTS LIMITED (L&TSCPL)

L&TSCPL, a 51% subsidiary of L&TUIL, was promoted for development of a large residential project at Siruseri, off Old Mahabalipuram Road, Chennai. The Company has acquired land of over 80 acres at Siruseri and is presently implementing the first phase of its project on a land area of 13.85 acres.

The project with an initial outlay of Rs. 330 crore has achieved financial closure during the year. Required approvals and clearances have been obtained and construction has commenced. The project was launched for marketing in January 2008 and as of March 2008, over 15% of the flats have been booked. Bookings are expected to gain momentum in the coming year with improved access to the site and growth on the IT corridor.

i. L&T PHOENIX INFOPARKS PRIVATE LIMITED (L&TPIL)

L&TPIL, a 51% subsidiary of L&TUIL, was formed in October 2006. The Company is presently undertaking development of 2 projects - HITEC City–2 and Intellicity. HITEC City-2, a Special Economic Zone (SEZ) for the IT / ITES units on 25.7 acres of land at Gachibowli, Hyderabad, will develop 30 lakh sq. ft. of office space. During the year 2007-2008, the Company has completed a BTS facility of about 2.32 lakh sq. ft. and commenced development of a multi tenanted facility of about 2.28 lakh sq. ft.

Under project Intellicity, the Company has completed development of an IT Park of 2.88 lakh sq. ft. during the year. As a part of this project, the Company will also develop high rise residential apartments of 6.9 lakh sq. ft. and an exclusive tower of about 3.1 lakh sq. ft. to be sold to a Company to put up Service Apartments, at Nanakramguda, Hyderabad.

The Company would commence commercial operations with the first phase in both the projects expected to generate revenue by way of lease rentals. Based on the market demand and tie-up of customers, the Company envisages commencing construction on other buildings in HITEC City-2. The Company also envisages commencement of construction on the Residential Towers and the Service apartment block at Intellicity, during the year 2008-2009.

j. L&T VISION VENTURES LIMITED (L&TVVL)

L&TVVL is a 68% subsidiary of L&TUIL. The Company was incorporated in December, 2006 for promoting a residential town ship in Visakhapatnam district, Andhra Pradesh, the work in respect of which is expected to commence once land is provided by Visakhapatnam Urban Development Authority.

k. CSJ INFRASTRUCTURE PRIVATE LIMITED (CSJ)

CSJ, a 75% subsidiary of LTUIL, is in the business of developing commercial space at Chandigarh. The Company owns land of 20.16 acres at a prime location in Chandigarh and is planning 17 lakh sq. ft. of mixed development of hospitality & commercial space with an estimated total project cost of Rs. 1,136 crore.

CSJ is at an advanced stage of obtaining the required approvals. Marketing has commenced and construction work is likely to start by June 2008.

l. L&T BANGALORE AIRPORT HOTEL LIMITED (L&TBAHL)

L&TBAHL has been set up for developing a premium business class hotel and conference facilities at the New International Airport, Devenahalli at Bangalore, with a capacity of 321 rooms. L&T Urban Infrastructure Limited holds 74% equity in the project. The Bangalore International Airports Limited (BIAL) has allotted land of 4.47 acres to the Company for setting up state-of-the-art hotel. A framework agreement has been signed by BIAL with EIH Limited and L&T. Financial closure has been achieved for Rs. 288 crore comprising term loans and construction has already commenced.

m. L&T BOMBAY DEVELOPERS PRIVATE LIMITED (L&TBDPL)

L&TBDPL is a 50:50 joint venture between L&T and Bombay Dyeing & Mfg. Co. Limited (BDMC), for redevelopment of MIG Housing Society complex at Bandra (East) Mumbai. Under this redevelopment project, the existing complex spread on an area of 2.20 lakh sq. ft. would be redeveloped with an improved Floor Space Index (FSI). A total area of about 9 lakh sq. ft. is proposed to be built including car parks and clubhouse with an estimated cost of Rs. 470 crore. The Company will have a saleable area of 4 lakh sq. ft. after allotting space to the existing occupants. The Company is in the process of obtaining all the required approvals and clearances for the project.

n. L&T HITECH CITY LTD (L&THCL)

L&THCL is a SPV floated during the year 2007 by L&TIL in partnership with Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC) to set up an IT SEZ at Vijayawada. APIIC has allotted land of 30 acres to the Company near the Vijayawada Airport. L&TIL holds 74% share and APIIC holds balance 26% in this Company. L&THCL proposes to develop 10 lakh sq. ft. of IT space and 4 lakh sq. ft. of residential space with an estimated project cost of Rs. 350 crore. This is a first of its kind IT venture (IT SEZ) in a Tier II city like Vijayawada. This is a major initiative in providing the much needed infrastructure to major IT / ITES players who are willing to move to Tier II cities for a significant and overall cost arbitrage.

o. L&T ARUN EXCELLO COMMERCIAL PROJECTS PRIVATE LIMITED (L&TAECPPL)

L&TAECPPL is a project for developing commercial space at Vellanchary, Chennai where the Company acquired land of 12.34 acres in partnership with Arun Excello Group, Chennai. The SPV will be developing a mix of hospitality and commercial space at the proposed location. This is part of an integrated development on a total of 78 acres land in partnership with Arun Excello

group whereby three SPVs were formed namely, L&T Arun Excello Commercial Projects Private Limited, Arun Excello Infrastructure Private Limited and L&T Arun Excello Realty Private Limited to develop commercial space, IT SEZ and residential township respectively. The commercial space development by L&TAECPPL includes a school to be run by a reputed institution which makes this integrated development a perfect place to live & walk to work. The construction work has already commenced.

p. ARUN EXCELLO INFRASTRUCTURE PRIVATE LIMITED (AEIPL)

AEIPL is a SPV, for developing an IT SEZ project on a land of about 28 acres which is part of the 78 acres of integrated development being done in partnership with Arun Excello Group by three SPVs. This Company is a demerged entity and is proposed to be renamed as L&T Arun Excello IT SEZ Private Limited. LTUIL became the holding Company with effect from February 18, 2008 with a share holding of 51%. Construction work has been started for a Signature tower, a service building and basement work for the second tower. Marketing of the space is actively pursued for the SEZ space.

q. L&T ARUN EXCELLO REALTY PRIVATE LIMITED (L&TAERPL)

L&TAERPL is a SPV, for developing residential complex at Vellanchary, Chennai. The Company acquired land of 40.15 acres and proposes to build residential flats comprising about 1,800 units with a built up area of approx 40 lakh sq. ft. L&TUIL holds 33% of the shareholding of the SPV. L&TAERPL has commenced implementing its phase I of the development, with a BUA of 10 lakh sq. ft. The total number of residential units planned in phase I is 661 with BUA ranging from 1,200 sq. ft. to 1,380 sq. ft. Out of the 661 units, 320 have been booked till March 31, 2008.

IV. ELECTRICAL & ELECTRONICS BUSINESS

A. SALZER CABLES LIMITED (SCL): Associate Company

SCL was incorporated in January 2007 with L&T Capital Company Limited holding 48% stake. The Company, located at Coimbatore, manufactures range of electrical power cables / wires for domestic and industrial purposes. The estimated market size for wires and cables is around Rs. 10,000 crore in India, growing 15-18% annually. The Company aims to reach a sizeable scale of operations, at par with major suppliers in the market, in the next 2-3 years. The Company started commercial production from January 2008.

V. MACHINERY & INDUSTRIAL PRODUCTS

A. TRACTOR ENGINEERS LIMITED (TENGL): Subsidiary Company

TENGL is a wholly owned subsidiary of L&T principally engaged in the manufacture of undercarriage systems for excavators, crawler tractors, bull dozers etc., and material handling equipment like apron conveyors, spares for oil field equipments, etc. Customer profile is largely Original Equipment Manufacturers (OEMs) in construction and material handling equipment business. The Company has already made inroads for establishing its brand name with international clients.

Performance

Revenues for FY 2007-2008 were significantly higher at Rs. 173.31 crore as against Rs. 103.96 crore for the previous year. During FY 2007-2008, the Company increased its supplies to OEMs in the excavator market as well as in material handling equipment business. In exports also, the Company was able to make good progress with a sale of Rs. 27 crore. During FY 2007-2008, the Company's profitability, however, was impacted adversely by significant hike in Steel prices, freight and power costs. This resulted in a loss of Rs. 0.45 crore during FY 2007-2008 as compared to profit after tax (PAT) of Rs. 13.26 crore in the previous year. PAT for FY 2006-2007 included a gain of Rs. 6.99 crore arising out of sale of assets of Navi Mumbai plant.

Outlook:

Domestic demand for excavators is projected to grow from 10,000 sets in 2007-2008 to 42,500 sets in 2012-2013. The Company is expected to grow close to the annual industry growth rate of about 26% in this period. The Company also supplies equipment to mining, cement, bulk material industries which have grown more than 70% annually over the last two years. In addition to the domestic market, the Company has also started receiving orders from international customers. Increased

capacities together with promising prospects will help the Company to achieve better results in the coming years.

B. AUDCO INDIA LIMITED (AIL) : Associate Company

AIL, incorporated in 1961, is a 50:50 joint venture between L&T and Flowserve Corporation, USA. The Company is a leading manufacturer of industrial valves, and has four sophisticated manufacturing plants in Tamil Nadu. It is an established player in the international market catering to customers in Australia, China, USA, Russia, Europe, South Africa, Middle East and Far East. In the domestic market also, the Company is a market leader. The Company's products are approved by major oil companies including ExxonMobil, Shell, ChevronTexaco, SASOL, Saudi Aramco, ONGC, IOCL, HPCL and BPCL.

Performance:

During FY 2007-2008, the Company executed many prestigious large orders for renowned customers. The revenues grew by 25% at Rs. 863.05 crore. The capacity enhancement at Coimbatore, besides the efficient utilization of existing capacity enabled the Company to meet the growing requirements of the valves market. Profit after tax, though impacted by rising input costs, improved by 33% to Rs. 69.40 crore, due to proactive steps taken to improve the product realization and cheaper global sourcing.

Outlook:

With high oil price in the international market the investments in the oil industry especially in Gulf and CIS countries are expected to be buoyant. Also with more focus on Power Projects in US, China and India, the valve market is poised for a good growth. Pipeline valves business is also expected to be good with major pipeline projects planned in India and abroad.

C. L&T-KOMATSU LIMITED (LTK): Associate Company

LTK is a 50:50 joint venture between L&T and Komatsu Asia Pacific Pte Limited, Singapore, a wholly owned subsidiary of Komatsu Limited, Japan. Komatsu is the world's largest manufacturer of hydraulic excavators and has manufacturing and marketing facilities worldwide. The Company is engaged in the manufacture of hydraulic excavators and other associated hydraulic components. L&T markets and provides service support for hydraulic excavators manufactured by LTK at Bangalore.

Performance:

The Company has yet again produced a good performance for FY 2007-2008, by leveraging on the buoyant infrastructure sector. The construction equipment industry in India grew around 35% during the financial year. Riding on the industry upsurge, the Company registered an impressive growth of 61% in revenues at Rs. 1,297.95 crore. Both PC 200 (20T Premium segment) and PC 300 (30T) emerged as the largest selling single models in their respective segments. Profit after tax for FY 2007-2008 rose sharply to Rs. 133.04 crore, up by 128% as compared to the previous year largely attributable to introduction of new product range, improved logistics management and process upgradation.

Outlook:

The construction and mining sector has been witnessing phenomenal growth in the recent past. Considering the infrastructure needs to sustain the economic growth in the Eleventh plan period (2007-2012), the demand for construction and mining machinery is expected to remain buoyant in the medium term. Given the current competitive edge enjoyed by the Company, the prospects are promising for the Company.

D. L&T-CASE EQUIPMENT PRIVATE LIMITED (LTCEPL): Associate Company

LTCEPL is a joint venture Company formed in November 1998 between L&T & CNH America LLC. The Company is engaged in design, manufacture & marketing of construction (earthmoving) equipments namely; loader backhoes and vibratory compactors. LTCEPL holds a market share of about 9% in loader backhoes, and 31% market share in the vibratory compactor in the Indian market. The manufacturing facility is located at Pithampur.

Performance:

Riding on the growth momentum of the construction industry, the Company achieved higher production and sales volumes in both equipments range. The Company

reported revenues of Rs. 462.57 crore during FY 2007-2008, registering a growth of 43% over the previous year. While the price realizations during the year were stable, better capacity utilization and cost optimization led to increased profit after tax of Rs. 36.07 crore.

Outlook

With encouraging government policy on investment in infrastructure sector, the growth momentum of construction equipment industry is expected to sustain for next few years. A number of international players are already present in the highly competitive Indian market and a few more are planning to enter the market, considering the size of the market. The Company is gearing up to meet the growing market needs by doubling the production capacity for loader backhoes and by 50% for compactors and accordingly expects to sustain the robust performance trend in the coming years.

E. EWAC ALLOYS LIMITED (EWAC): Associate Company

EWAC, formed in April 1962, is a 50:50 joint venture between L&T and Messer Eutectic + Castolin Group of Germany. The Company is a market leader in the business of maintenance & repairs welding and welding solutions for conservation of global metal resources. The principal products and services comprise Maintenance & Repair (M&R) consumables, specification grade electrodes, flux-cored welding wires, wear plates/ parts, welding and cutting equipment, TeroCote Lab services, etc. L&T markets EWAC's products in India through a strong network of stockists.

Performance:

EWAC reported a total income of Rs. 150.97 crore (previous year: Rs.108.97 crore) and profit after tax (PAT) of Rs. 24.41 crore (previous year: Rs. 22.63 crore) during FY 2007-2008. While revenues from all the product lines grew, growth in PAT was modest on account of steep increase in raw material cost. In addition to improved R&D operations, the Company has taken various initiatives towards new product development, asset sweating / capacity enhancement, energy conservation, etc. to improve its performance.

Outlook:

With industries such as steel, cement, power, sugar on a growth path, EWAC is expected to perform well in the coming years.

F. L&T-DEMAG PLASTICS MACHINERY LIMITED (L&T-Demag): Joint Venture Company

L&T-Demag, a joint venture between L&T and Demag Ergotech GmbH, Germany, is in the business of manufacture of injection moulding machines for the plastics industry. The Company's products find applications in diverse industries like automobiles, electrical goods, packaging, personal care products, writing instruments and white goods. The Company's association with Demag and its own established R&D base has enabled it to customise its offerings to customers in India and abroad, enabling it to work closely with customers for new applications in plastics and add value to its customers.

Performance:

Progressive lowering of import duties is leading to increased competition from manufacturers in the Asian region. On the other hand exports are becoming challenging even as the cost of metal based inputs is increasing continuously, leading to lower margins. In order to broad base its market, the Company has expanded its customer base geographically. During FY 2007-2008, while exports constituted 23% of the Net Sales, the Company continues to enjoy leadership position in the domestic market for injection moulding machines.

The revenues for FY 2007-08 at Rs. 104.05 crore declined 26% over the previous year. With increasing input metal costs, the Company has taken steps to contain costs through global sourcing so as to remain competitive in the export market. However, significant rupee appreciation during FY 2007-2008 has adversely impacted the export realization and consequently the profitability. As a result, the Company reported a loss of Rs. 17 crore for FY 2007-2008.

Outlook:

The demand for plastic products is expected to grow in the coming years leading to continued demand for the

Company's products in the domestic market. The Company is in the process of introducing products matching the dynamic expectations of high technology users. Considering these, the Company's business is expected to grow during FY 2008-2009 and beyond.

INTERNATIONAL COMPANIES

A. LARSEN & TOUBRO INTERNATIONAL FZE (LTIFZE): Subsidiary Company

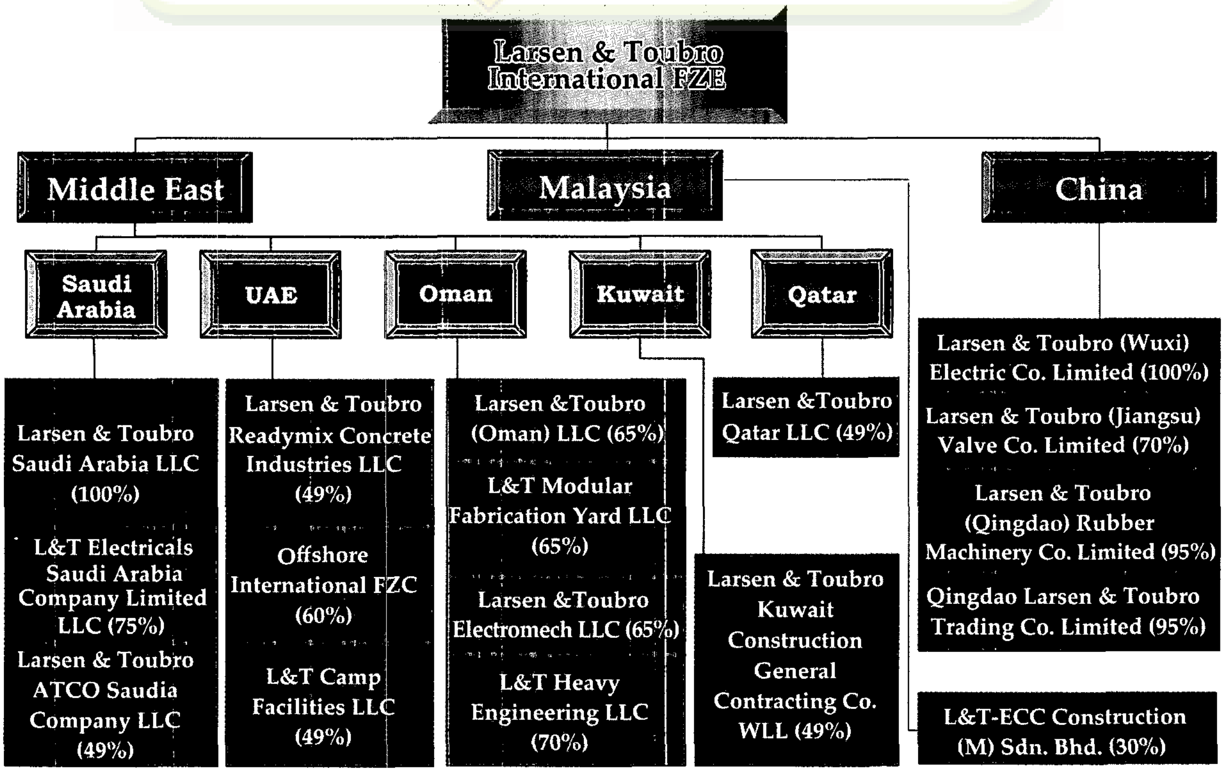
LTIFZE is incorporated as a limited liability Company in the Hamriyah Free Zone, Sharjah. The Company is engaged in providing strategic support to L&T's growth aspirations in the Middle East. Apart from owning important equipments facilitating L&T group's prequalification for construction contracts in the Middle East, LTIFZE functions as a holding Company by investing in country specific joint venture Companies and other strategic entities in Middle East, Far East and China. The Company also deals in hedging contracts to cover the commodity exposure of L&T.

Performance:

LTIFZE has acquired plant & machinery totaling to Rs. 93.20 crore as at the end of the year 2007. The Company has outstanding purchase commitments worth Rs. 40.80 crore for purchasing strategic plant & machineries required for construction and hydrocarbon business sector. During 2007, volatile commodity prices in an unstable financial market environment adversely impacted the commodity hedging operations of the Company.

Outlook:

Considering the tremendous business potential in the Middle East, LTIFZE is poised to play a crucial role to support L&T's operations in the region. The Company is committed to act as an investment arm of L&T for making investment overseas and a resource base for strategic plant & equipment to support international business opportunities.



I. ENGINEERING & CONSTRUCTION

A. LARSEN & TOUBRO (OMAN) LLC (LTO) : Subsidiary Company

LTO, a joint venture between LTIFZE (65%) and The Zubair Corporation LLC (35%), renders engineering, construction and contracting services. The Company has an excellent track record of more than 14 years in providing integral solutions to the broad spectrum of construction Industry.

Performance:

Prudent fiscal and monetary policies adopted by the Oman Government, enabled oil and non-oil sectors to grow at faster pace resulting in substantial growth in the Oman economy. Keeping the momentum, the Company bagged large orders and registered robust revenue growth of 28% at Rs. 778.70 crore in 2007. Profit after tax for 2007 was Rs. 26.24 crore as against Rs. 25.38 crore for the previous year.

Outlook:

The steady rise in oil prices combined with the diverse opportunities in the Sultanate offers attractive market position for LTO. There is an enhanced focus on infrastructure projects and tourism which is expected to further spur economic growth in the Sultanate. There has been an increased focus on real estate development and tourism related activities. Considering these, the Company is optimistic about its bright future.

B. LARSEN & TOUBRO QATAR LLC (LTQ): Subsidiary Company

LTQ, a joint venture between LTIFZE (49%) and a local Company, Al-Jazeera International Trading Co. WLL (51%), undertakes turnkey engineering & construction projects in the infrastructure & electrical engineering space in Qatar.

Performance:

During 2007, 2 projects under execution were completed and no new orders were procured. Revenues accordingly declined to Rs. 29.97 crore as against Rs. 102.63 crore during the previous year. Due to unprecedented cost escalations continuing during the year, a loss of Rs. 8.27 crore was incurred (previous year: loss of Rs. 10.69 crore).

Outlook:

During 2007, Qatar's GDP exceeded $ 63.56 billion and is expected to touch $ 100 billion mark by 2013. The Government is expected to promote investments in areas which are of interest to the Company. Keeping in mind the losses incurred on the projects in the past 2 years, the Company will now adopt a selective approach while bidding for the construction projects in the Buildings, Factories and Electrical Sectors.

C. LARSEN & TOUBRO ELECTROMECH LLC (L&T Electromech): Subsidiary Company

L&T Electromech was formed in January 2005 by LTIFZE acquiring 65% stake from Zubair Kilpatrick LLC. The balance 35% is held by Zubair Corporation through their wholly owned subsidiary, The Muscat Trading Company. The business portfolio of the Company comprises construction services in the hydrocarbon, power and water treatment sectors on a composite basis (Civil, Mechanical & Electrical) under a single point responsibility.

Performance:

During 2007, the Company registered a 21% growth in revenues from Rs. 199.35 crore to Rs. 241.96 crore. Total order inflow during the year increased significantly to Rs. 437 crore vis-à-vis Rs. 77 crore in the previous year. However, the profitability was impacted due to delayed arrivals of critical materials and higher operating costs arising out of time overrun. The Company incurred loss of Rs. 5.00 crore in 2007 as against profit after tax of Rs. 7.43 crore in the previous year. Steps are being initiated to ensure pre bid supply commitments and optimization of costs through long term equipment hire arrangements.

Outlook:

Oman's economy is planning to invest upto USD 1.8 billion in its economic growth agenda. Many foreign oil companies are also investing in oil producing facilities with active encouragement from the government. Enhanced oil recovery, increased power and water generation projects, improved infrastructure, etc. are slated in the coming years, which will provide enough opportunities for the Company to expand its project portfolio. With healthy order book as at end of 2007, the Company expects to report improved performance in the coming years.

D. LARSEN & TOUBRO SAUDI ARABIA LLC (LTSA) : Subsidiary Company

LTSA, a subsidiary of LTIFZE is engaged in the business of providing turnkey solutions in civil, mechanical and electrical engineering projects in oil & gas, petrochemicals, fertilisers, infrastructure, buildings, factories, power transmission & distribution and telecommunication sectors.

With stiff competition from locally owned small Companies & Chinese Companies in the field of infrastructure, industrial construction, etc., operating profitably as a Foreign Company has become a challenge. During 2007, the Company procured no fresh orders. Orders under execution are nearly complete and the site demobilisation efforts are underway. Consequently, revenues recorded during 2007 were only Rs. 5.61 crore while the losses amounted to Rs. 44.61 crore due to cost overruns pending claims settlements.

E. L&T-ECC CONSTRUCTION (M) SDN. BHD (L&T-ECC (M)): Subsidiary Company

L&T-ECC (M), formed in 1996, is a joint venture between LTIFZE and local partners in Malaysia. Although LTIFZE holds 30% equity stake in L&T-ECC (M), it is a subsidiary of LTIFZE by virtue of management control. It enjoys the status of a local Malaysian Company. The Company has established a strategic hub for undertaking civil, electrical and mechanical turnkey projects in South East Asian countries viz: Malaysia, Thailand, Vietnam, Singapore, Indonesia, Brunei, Philippines, Cambodia, etc. The economy of the region is driven by gas-based industries with encouraging reserves in the region.

Performance:

Healthy opening order book enabled the Company to register a smart increase in revenues at Rs. 171.96 crore for the year 2007 (previous year: Rs. 42.79 crore). However, as the orders were bagged under stiff competition from many established players in the country, the Company reported moderate profit after tax of Rs. 1.05 crore for the year 2007 as against previous year loss of Rs. 0.07 crore.

Outlook:

Indonesia is planning for three new refineries and revamp of existing 6 refineries. Several incentives are being planned to attract new investments, mainly in shipyards and oil-related industries. Indonesia has targeted to add a power generating capacity of 10,000 MW by 2010. Cement companies are also increasing their capacities. Vietnam is lining up major investment in upstream Oil & Gas and Power. With the experience gained in execution of projects in this region, the Company will focus on building cost competitiveness & execution skills and scout selectively for orders in South East Asian countries.

F. LARSEN & TOUBRO KUWAIT CONSTRUCTION GENERAL CONTRACTING COMPANY WLL (LTKC): Subsidiary Company

LTKC is a limited liability Company jointly held by M/s Bader Almulla & Brothers Company WLL, a Kuwaiti Company and LTIFZE in the shareholding pattern of 51% and 49% respectively. The Company executes construction projects mainly in Oil & Gas, Power and Water sectors in the State of Kuwait. The Company is in the process of getting prequalified with prospective clients like Kuwait Oil Company & Kuwait National Petroleum Company and has submitted several proposals to EPC bidders with prevailing qualification of L&T, India.

Kuwait has the fourth largest proven reserves of Crude Oil in the world and is among the world's largest oil producers. In general, Kuwait is expecting substantial growth in energy sector, mainly in Refining & Oil / Gas production. Forging of specific project alliances with international contractors are being considered as a viable option to tap the available opportunities.

G. L&T MODULAR FABRICATION YARD LLC, OMAN (LTMFY)

LTMFY is 65:35 joint venture between LTIFZE and The Zubair Corporation for establishing Oman's first modular fabrication facility. The facility is located at Sohar in North Oman. The Company has completed majority of the yard developmental activities, commissioning of machineries and full operation of Quay wall during 2007. The yard is spread over an area of 400,000 sq. mtrs. and have state-of-the-art facilities for heavy structural fabrication, sophisticated equipment & systems integration and testing, and load-out of ultra-large modules. The yard is equipped for fabricating a range of complex structures including Integrated Decks from 10,000 to 20,000 tonnes, Jack-up Rigs and FPSOs. In addition to the GCC countries, the products "made in Sohar" will find markets in Africa and South Asia as well.

The yard started operations in 2007 by working on orders from L&T for ONGC / BCP-B2 and Maersk Oil, Qatar projects. As the Company operated only for a part of the year, its revenues were modest at Rs. 12.39 crore. Being the first year of operations, the Company incurred loss of Rs. 4.91 crore for 2007.

H. LARSEN & TOUBRO ATCO SAUDIA COMPANY LLC (L&T ATCO): Subsidiary Company

L&T ATCO is a joint venture between LTIFZE (49%) and A.A. Turki Contracting & Trading Corporation (ATCO) (51%) of the Kingdom of Saudi Arabia. The Company's focus is on electromechanical construction for the hydrocarbon and power sector. The Kingdom of Saudi Arabia is one of the biggest markets in the GCC and holds promise for the Company's business.

II. ELECTRICAL & ELECTRONICS

A. L&T ELECTRICALS SAUDI ARABIA COMPANY LIMITED, LLC (LTESA): Subsidiary Company

LTESA, a joint venture between LTIFZE and Kanoo Group, was formed in Kingdom of Saudi Arabia (KSA) for manufacturing of switchgear, control-gear, PLC panels, part assembled switchboards and AC/DC drives including designing, installation, maintenance & operation. The Company inaugurated its facilities recently in May 2008.

LTESA is receiving encouraging response from major customers and EPC companies in KSA. KSA is the largest market in the Middle East and its geographical location provides easy access to export opportunities in the North of Africa. The KSA government is giving impetus to local manufacturing & infrastructure development. LTESA has started to harness such prospects leveraging on local presence. Major investments in Refinery, Petrochemicals, Power and Infrastructure projects offer good prospects for Company's growth. The Company has an order book of Rs. 23.40 crore to be invoiced during 2008

B. LARSEN & TOUBRO (WUXI) ELECTRIC COMPANY LIMITED (LTW): Subsidiary Company

LTW is a 100% subsidiary of LTIFZE located at Wuxi in the Jiangsu province of People's Republic of China. The factory was established in 2006 with state-of-the-art manufacturing, quality control and testing equipments. It has been successful in receiving ISO 9000 and China Compulsory Certification for Air Circuit Breaker (ACB) range. It was established primarily to support L&T's activities related to brand labeling of U-power range of ACBs in China. The Company also pursues L&T's own brand for the same product line for selling in China and other International markets. Apart from U-power ACB, the Company is planning to sell

some other products like Moulded Case Circuit Breakers (MCCB). Necessary manufacturing set-ups and China Compulsory Certification for selling these products are under process.

Performance:

During 2007, the Company recorded revenues of Rs. 22.68 crore and a loss of Rs. 1.36 crore.

Outlook:

The large size of electrical market in China and continuous investment in infrastructure in China promises an attractive market for Air Circuit Breakers and other products of the Company.

III. MACHINERY & INDUSTRIAL PRODUCTS

A. LARSEN & TOUBRO (JIANGSU) VALVE COMPANY LIMITED (LTJ): Subsidiary Company

LTJ, a 70% Subsidiary of LTIFZE, was set up in Yancheng City, China, benchmarking with other leading global players in industrial valves while retaining the competitive edge acquired in the business. The facility has well laid out plant equipped with advanced machineries. The factory commenced commercial production of valves in the last quarter of 2007 and the product has been well received in the market so far. The designs for all valves manufactured by LTJ are developed, owned and managed by L&T. These designs have been addressing the specific needs of major end users and comply with international emission norms, besides getting CE Marking & ATEX certification. The valves manufactured by the Company have been approved by most of the major customers.

Performance:

LTJ recorded revenues of Rs. 3.11 crore and a loss of Rs. 4.52 crore in 2007 mainly due to start up costs and amortization of pre-production expenses.

Outlook:

LTJ is presently building state-of-the-art laboratory & gamma facility to ensure top international quality for valves manufactured from the plant. Given the positive investment climate in the Oil & Gas sector globally and the increasing demand, a significant shift is being observed among the end users to consider sourcing of valves from China. The Company is favourably positioned to capitalize on this demand.

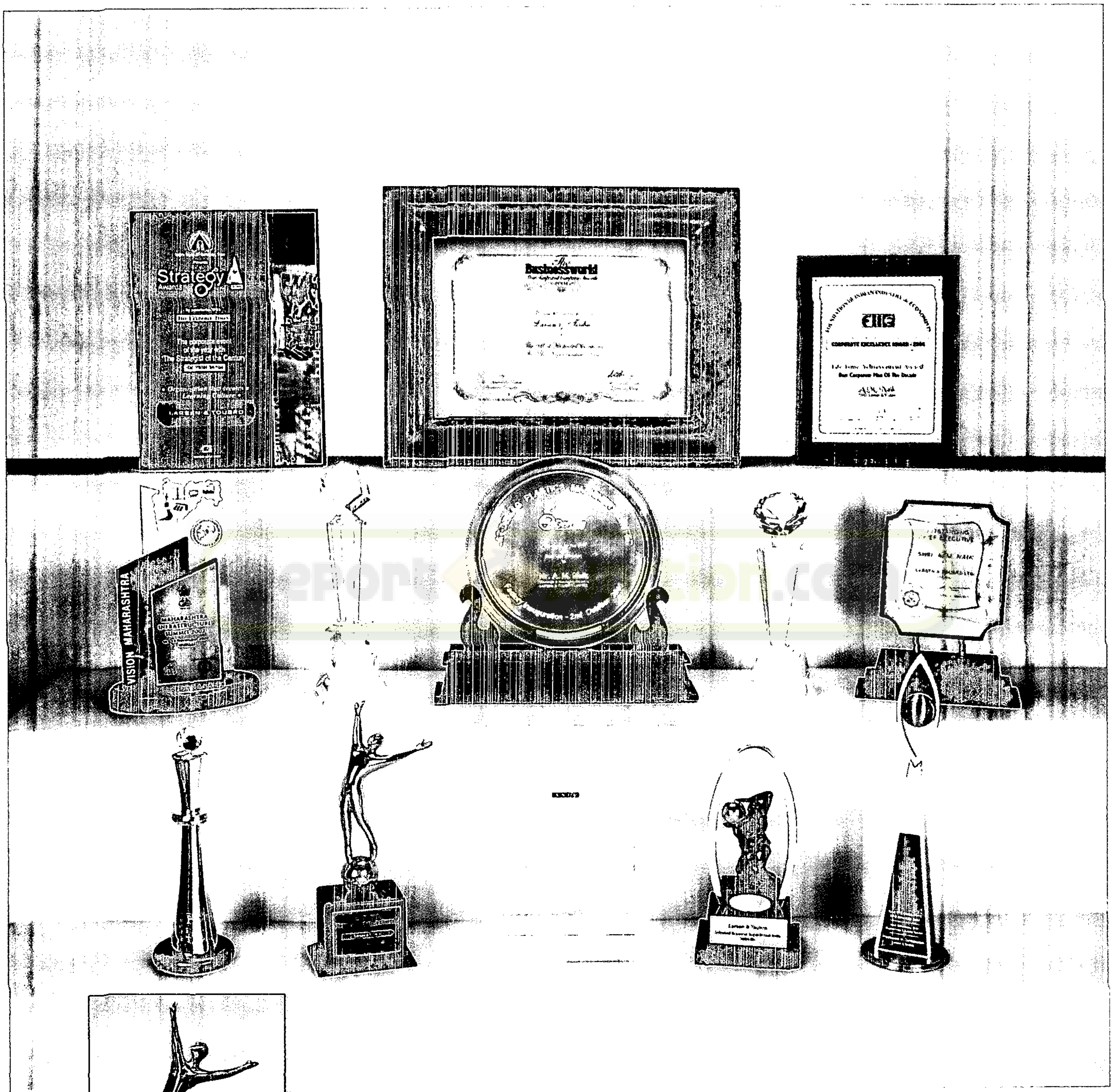
B. LARSEN and TOUBRO (QINGDAO) RUBBER MACHINERY COMPANY LIMITED (L&T Qingdao): Subsidiary Company

L&T Qingdao is a 95:5 joint venture between LTIFZE and Over World Group (OWG) at Qingdao, China. The Company was formed by taking over a running unit of Qingdao Over World Group Company (OWG). L&T Qingdao intends to develop and supply presses in line with the quality of products being presently supplied to Global Majors by L&T. L&T Qingdao is building a new state-of-the-art factory which is expected to be operational in the current year.

During 2007, L&T Qingdao achieved revenues of Rs. 31.22 crore and incurred a loss of Rs. 0.38 crore.

Outlook :

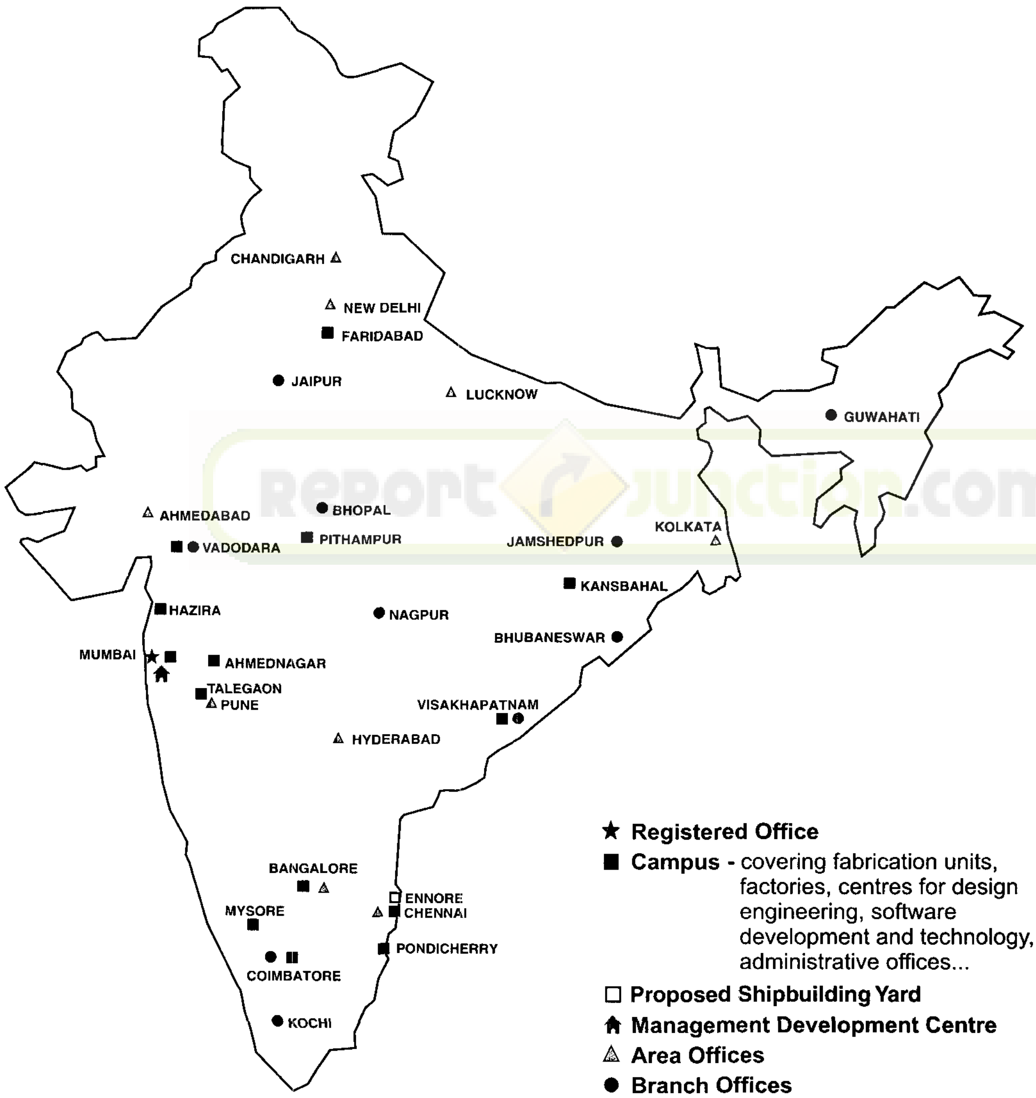
Tyre majors like Pirelli & Continental who are planning to set up Tyre plants are likely to provide supply opportunities to L&T Qingdao.The Company is expected to improve its market share with increase in manufacturing volumes.



Emblems of Excellence

A section of the awards, trophies and medals won by the Company.
Inset: The 'Best Managed Company' Award presented by the leading business publication 'Business Today'.

L&T - Nationwide Network



★ **Registered Office**
■ **Campus** - covering fabrication units, factories, centres for design engineering, software development and technology, administrative offices...
□ **Proposed Shipbuilding Yard**
Management Development Centre
△ **Area Offices**
● **Branch Offices**

This pictorial representation does not purport to be the political map of India

LARSEN & TOUBRO
It's all about Imagineering

L&T - Global Presence

Note: Map is broadly representative of L&T's presence in markets worldwide.

NOTES

Auditors' Report to the members of Larsen & Toubro Limited

We have audited the attached balance sheet of Larsen & Toubro Limited, as at March 31, 2008 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of section 227 of the Companies Act, 1956, we report that:

(1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

(2) Further to our comments in the Annexure referred to above, we report that:

   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and

   (e) on the basis of the written representations received from directors as on March 31, 2008 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub–section (1) of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in schedule Q and notes appearing thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2008;
2) in the case of the profit and loss account, of the profit for the year ended on that date; and
3) in the case of the cash flow statement, of the cash flows for the year ended on that date.

SHARP & TANNAN
Chartered Accountants
by the hand of

F.M. KOBLA
Partner
Membership No.15882

Mumbai, May 29, 2008

Annexure to the Auditors' Report

(Referred to paragraph (1) of our report of even date)

1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.

   (b) We are informed that the Company has formulated a programme of physical verification of all the fixed assets over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Accordingly, the physical verification of the fixed assets has been carried out by management during the year and no material discrepancies were noticed on such verification.

   (c) The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern status.

2 (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.

   (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

3 (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.

   (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable.

4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for sale of goods and services. Further, on

the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.

5 (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6 The Company has accepted deposits from the public and in our opinion and according to the information and explanations given to us, the directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, where applicable, have been complied with. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

7 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

8 We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules prescribed by the central government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of electronic products, viz. industrial electronics including all control instrumentation and automation equipment and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. The contents of these accounts and records have not been examined by us.

9 (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues outstanding as at March 31, 2008 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of sales tax, excise duty, service tax and income tax as at March 31, 2008 which have not been deposited on account of a dispute pending, are as under:

Name of the Statute	Nature of the disputed dues	Amount Rs.crore*	Period to which the amount relates	Forum where disputes are pending
Central Sales Tax Act, Local Sales Tax Acts and Works Contract Tax Act	Non-submission of forms, stock transfer claims, dispute regarding sales in transit and other matters	0.52	1997-1998 to 2003-2004 and 2005-2006	Commercial Tax Officer
	Non-submission of forms, classification dispute, disallowance of deemed inter-state sales and other matters	24.74	1993-1994 to 2004-2005	Assistant Commissioner (Appeals)
	Non-submission of forms, additional demand for pending forms, rate of tax dispute, disallowance of branch transfer, transit sale, export claim disallowance and other matters	12.61	1989-1990, 1991-1992, 1993-1994 to 2005-2006	Deputy Commissioner (Appeals)
	Non-submission of forms, disallowance of exemption, transit sales, and other matters	5.50	1994-1995 to 1996-1997 and 2000-2001 to 2004-2005	Joint Commissioner (Appeals)
	Non-submission of forms, additional demand for pending forms, disallowance of inter-state sales and other matters	2.11	2000-2001 to 2005-2006	Additional Commissioner (Appeals)
	Non-submission of forms, deemed inter-state sales disallowed, disallowance of import tax credit and other matters	2.02	1999-2000, 2001-2002 to 2003-2004 and 2005-2006	Commissioner (Appeals)
	Non-submission of forms, inter-state sales, sub-contractor turnover, rate dispute, disallowance under composition scheme and other matters	42.36	1987-1988, 1989-1990 to 1992-1993 and 1994-1995 to 2002-2003 and 2004-2005	Sales Tax Tribunal
	Inter-state sales, classification dispute, and disallowance of deemed sales in course of imports and taxability of subcontractors turnover	202.87	1981-1982, 1986-1987 to 2005-2006	High Court

Name of the Statute	Nature of the disputed dues	Amount Rs.crore*	Period to which the amount relates	Forum where disputes are pending
	Taxability of subcontractors turnover, rate of tax for declared goods and inter-state rate	2.14	1991-1992	Supreme Court
The Central Excise Act, 1944 and Service Tax under the Finance Act, 1994	Valuation disputes and disallowance of cenvat against service tax on freight outward	0.11	1997-1998 and 2007-2008	Commissioner (Appeals)
	Classification dispute, exemptions denied, valuation disputes and other matters	8.57	2002-2003 to 2005-2006	CESTAT
	Export rebate claim	0.07	2003-2004	High Court
	Dispute on site mix concrete and PSC grinders	0.27	1997-1998	Supreme Court
	Demand for service tax on lumpsum turnkey projects	107.64	2002-2003 to 2005-2006	CESTAT
	Service tax on commercial construction services	4.04	2003-2004 and 2005-2006	High Court
The Income Tax Act, 1961	Dispute regarding tax deducted at source at lower rate on maintenance charges	0.03	2005-2006	Commissioner (Appeals)
	Difference in rate of tax deducted at source	0.86	2007-2008	Director of Income Tax (International Taxation)

*Net of pre-deposit paid in getting the stay/appeal admitted

10 The Company has no accumulated losses as at March 31, 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11 According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.

12 According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13 The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.

14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has invested surplus funds in marketable securities and mutual funds. According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The investments in marketable securities and mutual funds have been held by the Company in its own name.

15 In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees given by the Company for loans taken by others from banks or financial institutions are not prima facie prejudicial to the interests of the Company.

16 In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

17 According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.

18 The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.

19 The Company has not issued any secured debentures during the year and accordingly, paragraph 4(xix) of the Order is not applicable.

20 The Company has not raised any money by public issues during the year.

21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

SHARP & TANNAN
Chartered Accountants
by the hand of

F M. KOBLA
Partner
Membership No.15882

Mumbai, May 29, 2008

Balance Sheet as at March 31, 2008

	Schedules		As at 31-3-2008		As at 31-3-2007	
			Rs.crore	Rs.crore	Rs.crore	Rs.crore
SOURCES OF FUNDS:						
SHAREHOLDERS' FUNDS:						
Share capital	A		58.47		56.65	
Reserves and surplus	B		9382.22		5660.28	
Employee stock options outstanding (*Previous year Rs.123.83 crore*)		279.67				
Less: Deferred employee compensation expense (*Previous year Rs.72.33 crore*)		165.28	114.39		51.50	
				9555.08		5768.43
LOAN FUNDS:						
Secured loans	C		308.53		245.40	
Unsecured loans	D		3275.46		1832.35	
				3583.99		2077.75
Deferred Tax Liabilities [See Note No.19]				244.33		204.88
TOTAL				13383.40		8051.06
APPLICATION OF FUNDS:						
Fixed Assets						
Tangible Assets	E (i)					
Gross block			4096.90		2795.32	
Less: Depreciation and Impairment			1239.40		1086.99	
Net block			2857.50		1708.33	
Less: Lease adjustment			3.07		3.07	
			2854.43		1705.26	
Capital work-in-progress (net of Impairment)			699.00		438.78	
				3553.43		2144.04
Intangible Assets	E (ii)					
Gross block			108.85		80.98	
Less: Amortisation and Impairment			47.11		32.77	
Net block			61.74		48.21	
Capital work-in-progress (net of Impairment)			30.27		32.44	
				92.01		80.65
Fixed Assets held for sale (Rs.Nil; *Previous year Rs.13719*) (at lower of cost or estimated realisable value)				-		-
Investments	F			6922.26		3104.44
Deferred tax assets [See Note No.19]				182.96		164.69
Current Assets, Loans and Advances:	G					
Interest accrued on investments			14.32		26.52	
Inventories			4305.91		3001.14	
Sundry debtors			7365.01		5504.64	
Cash and bank balances			964.46		1094.43	
Loans and advances			3663.82		2277.10	
			16313.52		11903.83	
Less: Current Liabilities and Provisions:	H					
Liabilities			11648.42		8176.30	
Provisions			2035.42		1180.13	
			13683.84		9356.43	
Net current assets				2629.68		2547.40
Miscellaneous expenditure (to the extent not written-off or adjusted)	I			3.06		9.84
TOTAL				13383.40		8051.06
CONTINGENT LIABILITIES	J					
SIGNIFICANT ACCOUNTING POLICIES	Q					

(For Notes forming part of Accounts, see page Nos.138 to 167)

A.M. NAIK
Chairman & Managing Director

As per our report attached

SHARP & TANNAN
Chartered Accountants
by the hand of
F.M. KOBLA
Partner
Membership No.15882

Mumbai, May 29, 2008

N. HARIHARAN
Company Secretary

J.P. NAYAK
Y.M. DEOSTHALEE
K. VENKATARAMANAN
K. V. RANGASWAMI

V.K. MAGAPU
M. V. KOTWAL
S. RAJGOPAL
S.N. TALWAR

M. M. CHITALE
THOMAS MATHEW T.
N. MOHANRAJ
SUBODH BHARGAVA
BHAGYAM RAMANI

Directors

Mumbai, May 29, 2008

LARSEN & TOUBRO
It's all about Imagineering

Profit and Loss Account for the year ended March 31, 2008

	Schedules	2007-2008 Rs.crore	2007-2008 Rs.crore	2006-2007 Rs.crore	2006-2007 Rs.crore
INCOME:					
Sales & Service (Gross)	K	25187.48		17900.59	
Less: Excise duty		332.78		333.49	
Sales & Service (Net)			24854.70		17567.10
Other operational income	L (i)		23.15		37.70
Other income	L (ii)		567.47		425.45
Interest income	L (iii)		84.48		59.06
			25529.80		18089.31
EXPENDITURE:					
Manufacturing, construction and operating expenses	M	19130.46		13537.58	
Staff expenses	N	1535.44		1259.19	
Sales, administration and other expenses	O	1385.59		1027.95	
Interest expenses and brokerage	P	122.66		92.99	
Depreciation, obsolescence and impairment		197.97		161.57	
Amortisation of intangible assets		15.66		9.88	
		22387.78		16089.16	
Less: Overheads charged to fixed assets		11.42		3.30	
			22376.36		16085.86
Profit before transfer from Revaluation reserve			3153.44		2003.45
Add: Transfer from Revaluation reserve			2.03		1.44
Profit before tax			3155.47		2004.89
Provision for current taxes [See Note No.18(a)]		892.79		612.32	
Provision for deferred tax [See Note No.19]		19.95		(25.63)	
Provision for tax on Fringe Benefits [See Note No.18(b)]		69.31		15.18	
			982.05		601.87
Profit after tax			2173.42		1403.02
Add: Balance brought forward from previous year		78.24		55.70	
Less: Operating result of acquired entity for previous year (net of tax)		-		2.49	
Dividend paid for previous year		0.66		5.61	
Additional tax on dividend paid for previous year		0.11		0.79	
			77.47		46.81
Profit available for appropriation			2250.89		1449.83
Less: Transfer to General Reserve			1575.00		950.00
Profit available for distribution			675.89		499.83
Interim dividend			56.83		311.60
Proposed final dividend			438.49		56.65
Additional tax on dividend			76.26		53.34
Balance carried to Balance Sheet			104.31		78.24
Basic Earnings Per Equity Share (Rupees)	(See Note No.20)		75.59		50.22
Diluted Earnings Per Equity Share (Rupees)	(See Note No.20)		72.76		48.36
Face Value Per Equity Share (Rupees)			2.00		2.00
SIGNIFICANT ACCOUNTING POLICIES	Q				

(For Notes forming part of Accounts, see page Nos.138 to 167)

As per our report attached
SHARP & TANNAN
Chartered Accountants
by the hand of
F.M. KOBLA
Partner
Membership No.15882

Mumbai, May 29, 2008

A.M. NAIK
Chairman & Managing Director

J.P. NAYAK
Y.M. DEOSTHALEE
K. VENKATARAMANAN
K. V. RANGASWAMI

V.K. MAGAPU
M. V. KOTWAL
S. RAJGOPAL
S.N. TALWAR

M. M. CHITALE
THOMAS MATHEW T.
N. MOHANRAJ
SUBODH BHARGAVA
BHAGYAM RAMANI

Directors

N. HARIHARAN
Company Secretary

Mumbai, May 29, 2008

Cash Flow Statement for the year ended March 31, 2008

	2007-2008 Rs.crore	2006-2007 Rs.crore
A. Cash flow from Operating Activities:		
Profit before tax	3155.47	2004.89
Adjustments for:		
Dividend Received	(185.55)	(187.31)
Depreciation (including obsolescence), amortisation and impairment	211.60	170.01
Unrealised foreign exchange (gain)/loss including that on fair valuation of derivatives	138.30	(38.09)
Interest (net)	38.18	33.93
(Profit)/Loss on sale of fixed assets (net)	(6.92)	(6.90)
(Profit)/Loss on sale of investments (net)	(157.09)	(16.17)
Employee Stock Option-discount forming part of Staff Expenses	91.86	55.98
Provision/(Reversal) for diminution in value of investments	24.42	11.95
Operating profit before working capital changes	3310.27	2028.29
Adjustments for:		
(Increase)/Decrease in trade and other receivables	(2418.51)	(796.32)
(Increase)/Decrease in inventories	(1304.76)	(790.77)
(Increase)/Decrease in miscellaneous expenditure	6.78	12.18
Increase/(Decrease) in trade payables	3339.79	2281.33
Cash generated from operations	2933.57	2734.71
Direct taxes refund/(paid) - net	(988.33)	(604.26)
Net Cash from Operating Activities	1945.24	2130.45
B. Cash flow from Investing Activities:		
Purchase of fixed assets	(1700.28)	(800.23)
Sale of fixed assets	78.16	25.01
Investment in subsidiaries, associates and joint ventures	(1042.53)	(817.40)
Divestment of stakes in subsidiaries, associates and joint ventures	9.58	45.08
Purchase of other investments	(38175.47)	(21270.66)
Sale of other investments	35375.79	20970.40
Loans/Deposits made with subsidiary, associate Companies and third parties (net)	43.56	24.52
Advance towards equity commitment	(66.35)	(2.00)
Interest received	96.68	49.80
Dividend received from subsidiaries	0.33	41.71
Dividend received from other investments	138.64	145.60
Net Cash (used in)/ from Investing Activities	(5241.89)	(1588.17)
C. Cash flow from Financing Activities:		
Proceeds from issue of share capital	1701.58	23.94
Proceeds from long term borrowings	1803.50	797.62
Repayment of long term borrowings	(374.25)	(450.41)
(Repayments) / Proceeds from other borrowings (net)	264.17	392.21
Loans from subsidiary and associate Companies (net of repayments)	(19.47)	3.39
Dividends paid	(114.14)	(619.46)
Additional tax on dividend	(19.40)	(86.89)
Interest paid	(75.31)	(91.45)
Net Cash (used in)/ from Financing Activities	3166.68	(31.05)
Net (decrease) / increase in cash and cash equivalents (A + B + C)	(129.97)	511.23
Cash and cash equivalents at beginning of the year	1094.43	583.20
Cash and cash equivalents at end of the year	964.46	1094.43

Notes:
1. Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
2. Purchase of fixed assets includes movement of Capital Work-in-Progress during the year.
3. Cash and cash equivalents at the end of the year represent cash and bank balances and include unrealised Gain of Rs.0.42 crore (*previous year unrealised Gain of Rs.2.83 crore*) on account of translation of foreign currency bank balances.
4. Previous year's figures have been regrouped/reclassified wherever applicable.

A.M. NAIK
Chairman & Managing Director

As per our report attached
SHARP & TANNAN
Chartered Accountants
by the hand of
F.M. KOBLA
Partner
Membership No.15882

Mumbai, May 29, 2008

N. HARIHARAN
Company Secretary

J.P. NAYAK
Y.M. DEOSTHALEE
K. VENKATARAMANAN
K. V. RANGASWAMI

V.K. MAGAPU
M. V. KOTWAL
S. RAJGOPAL
S.N. TALWAR

M. M. CHITALE
THOMAS MATHEW T.
N. MOHANRAJ
SUBODH BHARGAVA
BHAGYAM RAMANI

Directors

Mumbai, May 29, 2008

Schedules forming part of Accounts

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule A				
Share Capital:				
Authorised:				
162,50,00,000 Equity shares of Rs.2 each		325.00		*325.00*
(Previous year 162,50,00,000 Equity shares of Rs.2 each)				
Issued:				
29,23,27,390 Equity shares of Rs.2 each		58.47		*56.65*
(Previous year 28,32,70,748 Equity shares of Rs.2 each)				
Subscribed and paid up:				
29,23,27,390 Equity shares of Rs.2 each (See Note No.1)		58.47		*56.65*
(Previous year 28,32,70,748 Equity shares of Rs.2 each)				
		58.47		*56.65*

		As at 31-3-2008		As at 31-3-2007	
		Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule B					
Reserves and Surplus:					
Revaluation Reserve:					
As per last Balance Sheet		27.93		*29.37*	
Less : Transferred to Profit and Loss Account		2.03		*1.44*	
			25.90		*27.93*
Cash Subsidy Reserve:					
As per last Balance Sheet		-		*0.25*	
Less: Transferred to General Reserve		-		*0.25*	
			-		-
Capital Redemption Reserve:					
As per last Balance Sheet			0.02		*0.02*
Capital Reserve:					
As per last Balance Sheet		10.52		*0.12*	
Addition during the year		-		*10.40*	
			10.52		*10.52*
Debenture Redemption Reserve:					
As per last Balance Sheet		-		*18.75*	
Less: Transferred to General Reserve		-		*18.75*	
			-		-
Securities Premium Account:					
As per last Balance Sheet		2064.35		*1927.82*	
Addition during the year		2135.14		*164.11*	
		4199.49		*2091.93*	
Less: Issue of bonus shares		-		*28.00*	
Less: Share issue expenses		14.64		*0.38*	
Amortisation of premium payable on redemption of Debentures/ Bonds (net of tax) (*Previous year Rs.2.40 crore*)	-				
Less: Write-back of provision made in previous year pursuant to conversion of Bonds (*Previous year Rs.3.20 crore*)	2.40				
		(2.40)		*(0.80)*	
			4187.25		*2064.35*
Carried forward			4223.69		*2102.82*

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule B *(Contd.)*				
Brought forward		4223.69		2102.82
Foreign Projects Reserve:				
As per last Balance Sheet	19.19		28.34	
Less: Transferred to General Reserve	8.36		9.15	
		10.83		19.19
Housing Projects Reserve:				
As per last Balance Sheet	7.96		21.31	
Less: Transferred to General Reserve	3.98		13.35	
		3.98		7.96
General Reserve:				
As per last Balance Sheet	3452.07		2496.02	
Add: Transferred from:				
Cash Subsidy Reserve	-		0.25	
Debenture Redemption Reserve	-		18.75	
Foreign Projects Reserve	8.36		9.15	
Housing Projects Reserve	3.98		13.35	
Profit and Loss account	1575.00		950.00	
	5039.41		3487.52	
Less: Liabilities on account of Employee Benefits [net of tax]	-		35.45	
		5039.41		3452.07
Profit and Loss Account		104.31		78.24
		9382.22		5660.28

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule C				
Secured Loans:				
Loans from banks:				
Cash credits/Working Capital Demand Loans	308.46		199.19	
Other loans	0.07		46.16	
Interest accrued and due	-		0.05	
		308.53		245.40
		308.53		245.40

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule D				
Unsecured Loans:				
Zero coupon Foreign Currency Convertible Bonds		-		*422.27*
Loans from subsidiary companies		8.50		*5.49*
Short term loans and advances:				
From banks	608.05		*464.74*	
Lease finance	0.43		*1.32*	
Sales tax deferment loan	15.16		*5.10*	
Interest accrued and due	-		*0.04*	
		623.64		*471.20*
Other loans and advances:				
From banks	2436.95		*711.44*	
Lease finance	0.27		*0.69*	
Sales tax deferment loan	121.10		*136.26*	
From others	85.00		*85.00*	
		2643.32		*933.39*
		3275.46		*1832.35*

Schedule E (i)

Fixed Assets - Tangible	Cost / Valuation					Depreciation					Impairment	Book Value	
	As at 1-4-2007	Transfer on Amalgamation	Additions	Deductions	As at 31-3-2008	*Up to 31-3-2007*	Transfer on Amalgamation	For the year	Deductions	Up to 31-3-2008	As at 31-3-2008	As at 31-3-2008	*As at 31-3-2007*
	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	*Rs.crore*	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs. crore	Rs.crore	*Rs.crore*
OWNED ASSETS:													
Land - Freehold	*101.20*	-	16.40	0.73	116.87	-	-	-	-	-	-	116.87	*101.20*
Ships	*7.53*	-	6.81	-	14.34	*0.99*	-	0.72	-	1.71	-	12.63	*6.54*
Buildings	*707.53*	-	279.48	5.76	981.25	*151.61*	-	19.65	1.99	169.27	-	811.98	*555.92*
Railway sidings	*0.25*	-	-	-	0.25	*0.25*	-	-	-	0.25	-	-	-
Plant and machinery	*1792.22*	-	995.57	35.06	2752.73	*811.70*	-	157.60	31.69	937.61	-	1815.12	*980.52*
Furniture and fixtures	*98.11*	-	29.09	2.47	124.73	*51.68*	-	12.31	2.25	61.74	-	62.99	*46.43*
Vehicles	*53.87*	-	25.37	4.95	74.29	*43.42*	-	4.00	4.47	42.95	-	31.34	*10.45*
Aircraft	*9.26*	-	-	-	9.26	*6.99*	-	0.49	-	7.48	-	1.78	*2.27*
Owned Assets Leased Out:													
Plant and machinery	*19.22*	-	1.08	-	20.30	*9.22*	-	0.01	-	9.23	6.93	4.14	*3.07*
Lease Adjustment	-	-	-	-	-	-	-	-	-	-	-	(3.07)	*(3.07)*
Owned Assets (sub total - A)	*2789.19*	-	1353.80	48.97	4094.02	*1075.86*	-	194.78	40.40	1230.24	6.93	2853.78	*1703.33*
LEASED ASSETS:													
Plant and machinery	*2.35*	-	0.10	0.59	1.86	*0.89*	-	0.85	0.52	1.22	-	0.64	*1.46*
Vehicles	*3.78*	-	-	2.76	1.02	*3.31*	-	0.22	2.52	1.01	-	0.01	*0.47*
Leased Assets (sub total - B)	*6.13*	-	0.10	3.35	2.88	*4.20*	-	1.07	3.04	2.23	-	0.65	*1.93*
Total (A+B)	*2795.32*	-	1353.90	52.32	4096.90	*1080.06*	-	195.85	43.44	1232.47	6.93	2854.43	*1705.26*
Previous year	*2250.34*	*26.73*	*580.37*	*62.12*	*2795.32*	*949.86*	*21.13*	*151.13*	*42.06*	*1080.06*	*6.93*		
Add: Capital work-in-progress (net of deductions on account of obsolescence Rs.Nil; *Previous year Rs.6.17 crore*)												699.00	*438.78*
												3553.43	*2144.04*

Schedules forming part of Accounts (contd.)

Schedule E (ii)

Fixed Assets - Intangible	Cost / Valuation				Amortisation				Book Value	
	As at 1-4-2007 Rs.crore	Additions Rs.crore	Deductions Rs.crore	As at 31-3-2008 Rs.crore	*Up to 31-3-2007 Rs.crore*	For the year Rs.crore	Deductions Rs.crore	Up to 31-3-2008 Rs.crore	As at 31-3-2008 Rs.crore	*As at 31-3-2007 Rs.crore*
Land - Leasehold	*30.22*	19.79	5.94	44.07	*4.18*	0.49	-	4.67	39.40	*26.04*
Specialised Softwares	*35.59*	15.43	1.44	49.58	*24.27*	10.93	1.32	33.88	15.70	*11.32*
Lumpsum fees for technical knowhow	*15.17*	0.03	-	15.20	*4.32*	4.24	-	8.56	6.64	*10.85*
Total	*80.98*	35.25	7.38	108.85	*32.77*	15.66	1.32	47.11	61.74	*48.21*
Previous year	*50.34*	*32.33*	*1.69*	*80.98*	*24.58*	*9.88*	*1.69*	*32.77*		
Add: Capital work-in-progress									30.27	*32.44*
									92.01	*80.65*

Notes:

Tangible Assets - Schedule E (i)

1 Cost/Valuation of:

(i) Freehold land includes:

(a) Rs.0.14 crore for which conveyance is yet to be completed.

2 Cost/Valuation of Buildings includes ownership accommodation:

(i) (a) in various co-operative societies and apartments and shop-owners' associations: Rs.95.73 crore, including 1730 shares of Rs.50 each, 177 shares of Rs.100 each and 1 share of Rs.250.

(b) in proposed co-operative societies Rs.11.10 crore.

(ii) of Rs.4.36 crore in respect of which the deed of conveyance is yet to be executed.

(iii) of Rs.8.45 crore representing undivided share in a property at a certain location.

3 Additions during the year and capital work-in-progress include:

(i) Rs.Nil crore being the exchange gain; *(previous year Rs.3.81 crore)* and

(ii) Rs.5.33 crore being borrowing cost capitalised in accordance with Accounting Standard (AS)16 on "Borrowing Costs" as specified in the Companies (Accounting Standards) Rules, 2006.

4 Depreciation for the year as per Profit and Loss Account has been arrived at after adding obsolescence Rs.2.12 crore *(previous year Rs.8.24 crore)* to the depreciation for the year as per this schedule.

5 Capital work-in-progress includes advances Rs.119.02 crore *(previous year Rs.22.94 crore)*

6 The Company had revalued as at October 1, 1984 some of its land, buildings, plant and machinery and railway sidings at replacement/ market value which resulted in a net increase of Rs.108.05 crore.

Intangible Assets - Schedule E (ii)

1 Cost/Valuation of:

(I) Leasehold land includes:

(i) Rs.2.63 crore for land taken at Mysore on lease from KIADB vide agreement dated May 5, 2006. The lease agreement is for a period of six years with extension of 3 years, at the end of which sale deed would be executed, on fulfilment of certain conditions by the Company.

(ii) Rs.0.22 crore for land taken at Hubli on lease from KIADB vide agreement dated December 8, 2005. The lease agreement is for a period of six years, at the end of which sale deed would be executed, on fulfilment of certain conditions by the Company.

2 Capital work-in-progress includes advances Rs.1.40 crore (*previous year Rs.3.67 crore*).

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule F				
Investments (At cost, unless otherwise specified):				
A) Long Term Investments:				
Government and trust securities	5.91		5.91	
Fully paid equity shares of subsidiary companies	2154.49		1210.07	
Partly paid equity shares of subsidiary companies	73.93		53.68	
Fully paid preference shares of subsidiary companies	9.42		42.49	
Fully paid equity shares - Trade investments	107.75		111.70	
Other fully paid equity shares	21.80		21.23	
Bonds	190.46		470.46	
Mutual funds	-		0.53	
		2563.76		1916.07
B) Current Investments:				
Government and trust securities	174.65		98.85	
Other fully paid equity shares	-		42.60	
Bonds	57.35		34.24	
Mutual funds	4050.65		984.77	
		4282.65		1160.46
C) Investment in Integrated Joint Ventures		75.85		27.91
		6922.26		3104.44

Particulars	As at 31-3-2008	As at 31-3-2007
	Rs.crore	Rs.crore
Quoted Investments		
Book value	279.44	221.46
Market value	1403.92	1,320.84
Unquoted Investments		
Book value	6642.82	2882.98

	As at 31-3-2008		As at 31-3-2007	
Particulars of Investments:				
All Unquoted unless otherwise specified				
A) Long Term Investments:				
Government and trust securities:				
1 8.07 % Government of India Bond 2017 of Rs.5 crore (Quoted)	5.91		5.91	
		5.91		5.91
Subsidiary Companies:				
Fully paid equity shares:				
L&T Finance Limited 18,66,91,500 shares of Rs.10 each (6,25,00,000 shares of Rs.10 each subscribed during the year)	490.98		240.98	
Larsen & Toubro Infotech Limited 3,00,00,000 shares of Rs.5 each	15.00		15.00	
L&T Transportation Infrastructure Limited 1,08,64,000 shares of Rs.10 each	10.86		10.86	
Narmada Infrastructure Construction Enterprise Limited 1,26,48,507 shares of Rs.10 each	12.65		12.65	
India Infrastructure Developers Limited 5,60,60,000 shares of Rs.10 each	56.06		56.06	
L&T Infrastruture Development Projects Limited 19,30,31,352 shares of Rs.10 each	383.42		383.42	
Larsen & Toubro International FZE 830 shares of Dhs 550,500 each (564 shares of Dhs 550,500 each subscribed during the year)	516.77		180.38	
Tractor Engineers Limited 68,000 shares of Rs.1,000 each	0.30		0.30	
Larsen & Toubro LLC 50,000 shares of USD 1 each	0.23		0.23	
L&T-Sargent & Lundy Limited 27,52,129 shares of Rs.10 each	1.53		1.53	
Carried forward	1487.80	5.91	901.41	5.91

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule F (Contd.)				
Brought forward	1487.80	5.91	901.41	5.91
Spectrum Infotech Private Limited				
4,40,000 shares of Rs.10 each	6.80		6.80	
HPL Cogeneration Limited				
(3,12,12,000 shares of Rs.10 each sold during the year)	-		31.21	
L&T Western India Tollbridge Limited				
1,39,50,007 shares of Rs.10 each	13.95		13.95	
Bhilai Power Supply Company Limited				
49,950 shares of Rs.10 each	0.05		0.05	
International Seaports Pte. Limited				
18,15,000 shares of USD 1 each	2.36		2.36	
L&T-Capital Company Limited				
50,00,000 shares of Rs.10 each	5.00		5.00	
L&T Power Projects Limited				
1,05,01,000 shares of Rs.10 each	10.50		0.05	
(1,04,51,000 shares of Rs.10 each subscribed during the year)				
International Seaport Dredging Limited				
28,816 shares of Rs.10,000 each	28.82		8.60	
(21,626 shares of Rs.10,000 each subscribed during the year)				
(1,410 shares of Rs.10,000 each sold during the year)				
L&T Infrastructure Finance Company Limited				
50,00,00,000 shares of Rs.10 each	500.00		243.00	
(25,70,00,000 shares of Rs.10 each subscribed during the year)				
L&T Power Development Limited	29.00		-	
2,90,00,000 shares of Rs.10 each (subcribed during the year)				
L&T-Valdel Engineering Limited				
12,44,500 shares of Rs.10 each	25.22		-	
(5,89,500 shares of Rs.10 each subscribed during the year)				
(Prior to July 4, 2007, Incorporated joint venture)				
L&T Infra and Property Development Private Limited				
10,000 shares of Rs.10 each (subscribed during the year)	0.01		-	
L&T Realty Private Limited				
4,71,60,700 shares of Rs.10 each (subscribed during the year)	47.16		-	
L&T Concrete Private Limited				
10,000 shares of Rs.10 each (subscribed during the year)	0.01		-	
L&T Shipbuilding Limited				
50,000 shares of Rs.10 each (subscribed during the year)	0.05		-	
L&T Strategic Management Limited				
50,000 shares of Rs.10 each (subscribed during the year)	0.05		-	
L&T Gulf Private Limited				
10,000 shares of Rs.10 each (subscribed during the year)	0.01		-	
L&T Transco Private Limited				
10,000 shares of Rs.10 each (subscribed during the year)	0.01		-	
Hi- Tech Rock Products & Aggregates Limited				
50,000 shares of Rs.10 each (subscribed during the year)	0.05		-	
	2156.85		1212.43	
Less: Provision for diminution in value	2.36		2.36	
		2154.49		1210.07
Partly paid equity shares in Subsidiary Companies [See Note No.11]				
L&T Infrastruture Development Projects Limited				
67,69,518 shares of Rs.10 each, Re.1 paid up	0.68		0.68	
Larsen & Toubro Infotech Limited				
22,50,000 shares of Rs.5 each, Rs.3.20 paid up (Re.1 paid during the year)	73.25		53.00	
		73.93		53.68
Carried forward		2234.33		1269.66

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule F (Contd.)				
Brought forward		2234.33		1269.66
Fully paid preference shares of subsidiary companies:				
HPL Cogeneration Limited				
(3,12,12,000 15% Cumulative Redeemable Preference shares of Rs.10 each sold during the year)	-		34.88	
International Seaport Dredging Limited				
9,420 13% Preference shares of Rs.10000 each (1,847 shares of Rs.10000 each sold during the year)	9.42		11.27	
	9.42		46.15	
Less: Provision for diminution in value	-		3.66	
		9.42		42.49
Other fully paid equity shares -Trade Investments				
(i) Fully paid equity shares in Associate companies:				
Ewac Alloys Limited				
4,14,720 shares of Rs.100 each	0.04		0.04	
Audco India Limited				
9,00,000 shares of Rs.100 each	0.06		0.06	
Gujarat Leather Industries Limited				
7,35,000 shares of Rs.10 each	0.56		0.56	
L&T-Chiyoda Limited				
45,00,000 shares of Rs.10 each	4.50		4.50	
L&T-Komatsu Limited				
6,00,00,000 shares of Rs.10 each	60.00		60.00	
L&T-Ramboll Consulting Engineers Limited				
18,00,000 shares of Rs.10 each	1.80		1.80	
L&T-Case Equipment Private Limited				
1,20,05,000 shares of Rs.10 each	12.00		12.00	
Voith Paper Technology (India) Limited				
15,00,000 shares of Rs.10 each	1.00		1.00	
	79.96		79.96	
Less: Provision for diminution in value	0.56		0.56	
	79.40		79.40	
(ii) Fully paid equity shares in Incorporated Joint Ventures:				
L&T-Valdel Engineering Limited				
6,55,000 shares of Rs.10 each (Subsidiary w.e.f July 4, 2007)	-		9.02	
L&T-Demag Plastics Machinery Private Limited				
30,00,000 shares of Rs.10 each	3.00		3.00	
	3.00		12.02	
(iii)Fully paid equity shares in other companies:				
City Union Bank Limited (Quoted) [See Note No.33]				
1,50,00,000 shares of Re.1 each (3,00,000 shares of Rs.10 each subcribed during the year) (15,00,000 shares of Rs.10 each got subdivided into Re 1 paid up during the year)	25.35		20.28	
	25.35		20.28	
		107.75		111.70
Other fully paid equity shares:				
Housing Development Finance Corporation Limited (Quoted) (74,356 shares of Rs.10 each sold during the year)	-		0.10	
Ambuja Cements Limited (Quoted) (Formerly known as Gujarat Ambuja Cements Limited) (5,00,310 shares of Rs.2 each sold during the year)	-		3.33	
UltraTech Cement Limited (Quoted)				
1,43,03,294 shares of Rs.10 each	14.30		14.30	
Tidel Park Limited				
40,00,000 shares of Rs.10 each (Transferred earlier, now reinstated)	4.00		-	
John Deere Equipment Private Limited				
35,00,000 shares of Rs.10 each	3.50		3.50	
Utmal Multi purpose Service Co-operative Society Limited				
300 "B" class shares of Rs.100 each: Rs.30000 *(as at 31-03-2007: Rs.30000)*	-		-	
		21.80		21.23
Carried forward		2373.30		1445.08

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		*As at 31-3-2007*	
	Rs.crore	Rs.crore	*Rs.crore*	*Rs.crore*
Schedule F (Contd.)				
Brought forward		2373.30		*1445.08*
Bonds:				
Unit Trust of India-Tax free bonds (Quoted)				
1,96,400 6.75% bonds of Rs.100 each	1.96		*1.96*	
NABARD-Capital Gain Bonds				
5.40% bonds of Rs.10000 each	-		*100.00*	
(1,00,000 bonds of Rs.10000 each redeemed during the year)				
National Housing Bank-Capital Gain Bonds				
5.45% bonds of Rs.10000 each	-		*180.00*	
(1,80,000 bonds of Rs.10000 each redeemed during the year)				
Small Industries Development Bank of India-Capital Gain Bonds				
53,000 5.50% bonds of Rs.10000 each	53.00		*53.00*	
National Highway Authority of India-Capital Gain Bonds				
85,000 5.50% bonds of Rs.10000 each	85.00		*85.00*	
50,000 5.65% bonds of Rs.10000 each	50.00		*50.00*	
Rural Electrification Corporation Limited-Capital Gain Bonds				
500 5.25% bonds of Rs.10000 each	0.50		*0.50*	
		190.46		*470.46*
Mutual funds:				
India Project Development Fund				
units of Rs.10,00,000 each		-		*0.53*
(5.263863 units of Rs.10,00,000 each sold during the year)				
B) Current Investments:				
Government and trust securities:				
8.07 % Government of india bond 2017 of Rs.5 crore each (Quoted)	-		*50.72*	
(10 bonds sold during the year)				
7.59 % Government of india bond 2016 of Rs.5 crore each (Quoted)	-		*49.82*	
(10 bonds sold during the year)				
3 8.35 % Government of india bond 2022 of Rs.5 crore each (Quoted)	15.32		-	
(purchased during the year)				
7 8.33 % Government of india bond 2036 of Rs.5 crore each (Quoted)	36.90		-	
(purchased during the year)				
5 5.87 % Government of india bond 2010 of Rs.5 crore each (Quoted)	24.10		-	
(purchased during the year)				
20 7.99 % Government of india bond 2017 of Rs.5 crore each (Quoted)	102.35		-	
(purchased during the year)				
	178.67		*100.54*	
Less: Provision for diminution in value	4.02		*1.69*	
		174.65		*98.85*
Other fully paid equity shares:				
Ambuja Cements Limited (Quoted)				
(Formerly known as Gujarat Ambuja Cements Limited)				
(2,55,998 shares of Rs.2 each sold during the year)	-		*3.54*	
ACC Limited (Quoted)				
(74,996 shares of Rs.10 each sold during the year)	-		*7.23*	
Hindustan Zinc Limited (Quoted)				
(1,73,976 shares of Rs.10 each sold during the year)	-		*12.77*	
Hindalco Industries Limited (Quoted)				
(3,65,000 shares of Rs.1 each sold during the year)	-		*6.11*	
Steel Authority of India Limited (Quoted)				
(11,25,000 shares of Rs.10 each sold during the year)	-		*11.46*	
Sterlite Industries Limited (Quoted)				
(1,60,000 shares of Rs.2 each sold during the year)	-		*8.58*	
	-		*49.69*	
Less: Provision for diminution in value	-		*7.09*	
		-		*42.60*
Carried forward		2738.41		*2057.52*

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule F (Contd.)				
Brought forward		2738.41		2057.52
Bonds:				
Gujarat Urja Vikas Nigam Limited Bonds 2009				
11 11.25% 2009 bonds of Rs.70000 each (Face value reduced by Rs.30000 from Rs.1,00,000)	0.07		0.11	
Housing Development Finance Corporation Limited				
90 7.65% 2016 bonds of Rs.10,00,000 each (Quoted)	8.56		8.56	
210 8.00% 2017 bonds of Rs.10,00,000 each (Quoted)	20.67		20.67	
250 9.50% 2013 bonds of Rs.10,00,000 each (purchased during the year)(Quoted)	25.00		-	
Indian Overseas Bank				
50 8.00% 2016 bonds of Rs.10,00,000 each (Quoted)	4.90		4.90	
	59.20		34.24	
Less: Provision for diminution in value	1.85		-	
		57.35		34.24
Mutual funds:				
ABN AMRO FTP Series - 4 Quarterly Plan C Monthly Dividend reinvestment (5,12,83,438 Units of Rs.10 each sold during the year)	-		51.29	
Birla Income Plus Quarterly Dividend Plan (3,46,34,666 Units of Rs.10 each sold during the year)	-		35.64	
Birla FTP Quarterly Series 6 Dividend Payout (5,00,00,000 Units of Rs.10 each sold during the year)	-		50.00	
DBS Chola Treasury Management Fund-Daily Dividend reinvestment option (8,81,42,042 Units of Rs.10 each sold during the year)	-		88.14	
DSP Merrill Lynch Cash Plus Fund-Institutional Plan-Daily Dividend reinvestment (5,00,086 Units of Rs.1000 each sold during the year)	-		50.02	
DSP Merrill Lynch Fixed Term Plan Series 1 H Institutional-Dividend reinvestment (2,51,990 Units of Rs.1000 each sold during the year)	-		25.20	
HDFC Cash Management Fund-Call Plan-Daily Dividend reinvestment Plan (11,52,06,180 Units of Rs.10 each sold during the year)	-		120.12	
HDFC FMP 90 Days February 2007 (4) Wholesale Plan Dividend Payout (2,50,00,000 Units of Rs.10 each sold during the year)	-		25.00	
HDFC Income Fund-Dividend reinvestment option (2,44,37,046 Units of Rs.10 each sold during the year)	-		25.23	
HSBC Cash Fund-Inst. Plus-Dividend reinvestment-Daily 9,99,62,238 Units of Rs.10 each purchased during the year (95,01,558 Units of Rs.10 each sold during the year)	100.02		9.51	
ICICI Prudential Flexible Income Plan-Dividend Plan (5,69,36,271 Units of Rs.10 each sold during the year)	-		60.40	
ICICI Prudential FMP series 35-3 Months Plan A-Retail Dividend option (2,00,00,000 Units of Rs.10 each sold during the year)	-		20.00	
ICICI Prudential Income Plan-Institutional Quarterly Dividend Plan (4,89,19,194 Units of Rs.10 each sold during the year)	-		50.79	
ING Liquid Fund -Super Institutional Daily Dividend reinvestment option 4,99,85,353 Units of Rs.10 each purchased during the year (1,99,98,728 Units of Rs.10 each sold during the year)	50.01		20.01	
ING Vysya Fixed Maturity Fund Series-XX Dividend option (1,50,00,000 Units of Rs.10 each sold during the year)	-		15.00	
JM Fixed Maturity Fund-Series IV-Quarterly Plan 3-F2-Dividend Plan (2,52,48,768 Units of Rs.10 each sold during the year)	-		25.25	
JM Fixed Maturity Fund-Series IV-Quarterly Plan 4-F3 Dividend Plan (1,51,14,865 Units of Rs.10 each sold during the year)	-		15.11	
Carried forward	150.03	2795.76	686.71	2091.76

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule F (Contd.)				
Brought forward	150.03	2795.76	686.71	2091.76
JM Money Manager Fund-Regular Plan-Dividend option-Daily dividend (5,00,45,757 Units of Rs.10 each sold during the year)	-		50.05	
Principal Income Fund-Dividend Plan-Institutional-Quarterly 2,14,59,822 Units of Rs.10 each purchased during the year (2,23,49,765 Units of Rs.10 each sold during the year)	25.31		25.00	
Principal Cash Management Fund-Liquid option Instistutional Premium-Dividend reinvestment Plan 26,93,84,722 Units of Rs.10 each purchased during the year (7,00,48,873 Units of Rs.10 each sold during the year)	269.40		70.05	
Principal PNB Fixed Maturity Plan-FMP 35-91 days Series VIII Feb 2007 (1,50,00,000 Units of Rs.10 each sold during the year)	-		15.00	
SBI Debt Fund Series 90 Days-(February-07)-Dividend option (1,00,49,257 Units of Rs.10 each sold during the year)	-		10.05	
Tata Fixed Horizon Fund Series 8 Scheme F-Periodic Institutional Plan Dividend reinvestment (5,04,52,260 Units of Rs.10 each sold during the year)	-		50.45	
Templeton Fixed Horizon Fund-3 Month Plan Institutional Dividend payout (2,50,00,000 Units of Rs.10 each sold during the year)	-		25.00	
Templeton India Income Fund-Dividend reinvestment option (2,40,91,367 Units of Rs.10 each sold during the year)	-		25.57	
Templeton India Income Fund-Dividend reinvestment (77,89,254 Units of Rs.10 each sold during the year)	-		20.00	
UTI MF Money Market Fund-Daily Dividend reinvestment (56,91,701 Units of Rs.10 each sold during the year)	-		10.00	
ABN AMRO FTP Series-8 Yearly Plan E Institutional Growth 2,50,00,000 Units of Rs.10 each purchased during the year	25.00		-	
ABN AMRO China-India Fund-Regular Plan-Dividend reinvestment option 50,00,000 Units of Rs.10 each purchased during the year	5.00		-	
AIG India Liquid Fund-Super Institutional Plan-Daily Dividend reinvestment option 4,99,685 Units of Rs.1000 each purchased during the year	50.01		-	
AIG India Treasury Plus Fund-Institutional Plan-Daily Dividend reinvestment option 3,51,46,497 Units of Rs.10 each purchased during the year	35.19		-	
AIG Short Term Fund Institutional-Weekly Dividend reinvestment 1,50,743 Units of Rs.1000 each purchased during the year	15.07		-	
Birla - (BSL) Interval Income Fund-Institutional Quarterly Series 2 Dividend 5,12,76,782 Units of Rs.10 each purchased during the year	51.28		-	
Birla - (BSL) Interval Income Fund-Institutional Quarterly Series 3 Dividend 7,55,09,113 Units of Rs.10 each purchased during the year	75.51		-	
Birla (BSL) Special Situation Fund-Dividend reinvestment 50,00,000 Units of Rs.10 each purchased during the year	5.00		-	
Birla Cash Plus-Institutional Premium Plan-Daily Dividend reinvestment Plan 4,99,14,210 Units of Rs.10 each purchased during the year	50.01		-	
Birla Dynamic Bond Fund-Retail-Quarterly Dividend reinvestment 4,75,04,133 Units of Rs.10 each purchased during the year	50.00		-	
Birla Sun Life International Equity Fund Plan B-Dividend Payout option 50,00,000 Units of Rs.10 each purchased during the year	5.00		-	
Birla Sun Life Liquid Plus-Institutional Plan-Daily Dividend reinvestment 4,28,404 Units of Rs.10 each purchased during the year	0.43		-	
Carried forward	812.24	2795.76	987.88	2091.76

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule F (Contd.)				
Brought forward	812.24	2795.76	987.88	2091.76
Birla Sun Life Short Term Fund-Plan Fortnightly Dividend reinvestment Plan 3,00,98,042 Units of Rs.10 each purchased during the year	30.23		-	
Birla Top 100-Dividend reinvestment option 51,32,469 Units of Rs.10 each purchased during the year	10.00		-	
Birla FTP Series AB-Institutional Growth 5,00,00,000 Units of Rs.10 each purchased during the year	50.00		-	
DBS Chola Short Term Floating Rate Fund-Dividend-reinvestment Daily 4,99,29,996 Units of Rs.10 each purchased during the year	50.01		-	
DSP Merrill Lynch FMP 3M Series 6-Institutional Dividend reinvestment option 3,00,00,000 Units of Rs.10 each purchased during the year	30.00		-	
DSP Merrill Lynch Cash Plus Fund-Institutional Plan-Daily Dividend reinvestment 5,00,046 Units of Rs.1000 each purchased during the year	50.01		-	
DSP Merrill Lynch Liquidity Plus Institutional Fund-Daily Dividend reinvestment 5,00,292 Units of Rs.1000 each purchased during the year	50.06		-	
DWS Money Plus Advantage Fund-Institutional Fund-Dividend reinvestment option 15,17,45,390 Units of Rs.10 each purchased during the year	152.65		-	
DWS Short Maturity Fund-Dividend-Weekly reinvestment 5,95,14,882 Units of Rs.10 each purchased during the year	61.14		-	
Fidelity Cash Fund-Super Institutional Plan-Daily Dividend option 5,00,09,349 Units of Rs.10 each purchased during the year	50.01		-	
GSSIF-ST-Plan C-Monthly Dividend reinvestment 2,49,47,614 Units of Rs.10 each purchased during the year	25.03		-	
HDFC Arbitrage Fund Wholesale Plan Monthly-Dividend reinvestment option 7,76,47,408 Units of Rs.10 each purchased during the year	77.75		-	
HDFC Cash Management Fund-Savings Plan-Daily Dividend reinvestment option 4,70,17,226 Units of Rs.10 each purchased during the year	50.01		-	
HDFC Infrastructure Fund Dividend Payout option 1,00,00,000 Units of Rs.10 each purchased during the year	10.00		-	
HDFC MID-CAP Opportunities Fund-Growth option 14,02,734 Units of Rs.10 each purchased during the year	1.40		-	
HDFC Short Term Plan-Dividend reinvestment option 4,42,10,366 Units of Rs.10 each purchased during the year	45.69		-	
ICICI Prudential Emerging Star Fund-Dividend reinvestment option 92,74,101 Units of Rs.10 each purchased during the year	24.25		-	
ICICI Prudential Equity & Derivatives Fund-Income Optimiser Plan-Institutional Dividend reinvestment 2,35,18,344 Units of Rs.10 each purchased during the year	25.00		-	
ICICI Prudential FMP Series 39-6 Mths Plan A-Retail Cumulative Dividend option 5,00,00,000 Units of Rs.10 each purchased during the year	50.00		-	
ICICI Prudential Interval Fund-Annual Interval Plan II-Institutional Cumulative Dividend option 6,00,00,000 Units of Rs.10 each purchased during the year	60.00		-	
ICICI Prudential Interval Fund 1 Month Plan A-Retail Dividend reinvestment option 4,46,58,807 Units of Rs.10 each purchased during the year	45.00		-	
ICICI Prudential Interval Fund II Quarterly Intervel Plan F-Retail Dividend reinvestment option 5,00,00,000 Units of Rs.10 each purchased during the year	50.00		-	
Carried forward	1810.48	2795.76	987.88	2091.76

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule F (Contd.)				
Brought forward	1810.48	2795.76	987.88	2091.76
ICICI Prudential Short Term Plan-Institutional Plan-Dividend reinvestment-Fortnightly 5,01,25,070 Units of Rs.10 each purchased during the year	55.74		-	
ICICI Prudential Technology Fund-Dividend reinvestment option 60,24,097 Units of Rs.10 each purchased during the year	10.00		-	
ING Liquid Plus Fund-Institutional Daily Dividend option 10,14,343 Units of Rs.10 each purchased during the year	1.01		-	
ING Vysya Fixed Maturity Fund-31 Institutional Growth 2,50,00,000 Units of Rs.10 each purchased during the year	25.00		-	
ING Vysya Short Term Income Fund-Dividend reinvestment option 2,18,86,056 Units of Rs.10 each purchased during the year	25.11		-	
JM Arbitrage Fund-Dividend reinvestment option 7,65,05,509 Units of Rs.10 each purchased during the year	78.33		-	
JM Fixed Maturity Fund-Series VII-13 Months plan 1-Instit. plan-Dividend option (257) 4,00,00,000 Units of Rs.10 each purchased during the year	40.00		-	
JM Interval Fund Quarterly Plan 1-Institutional Dividend Plan (279) 4,99,63,527 Units of Rs.10 each purchased during the year	50.00		-	
JP Morgan India Smaller Companies Fund-Dividend reinvestment Plan 1,00,00,000 Units of Rs.10 each purchased during the year	10.00		-	
JP Morgan India Liquid Fund-Daily dividend reinvestment option 4,99,70,712 Units of Rs.10 each purchased during the year	50.01		-	
JP Morgan India Liquid Plus Fund-Daily dividend re-investment option 3,01,36,760 Units of Rs.10 each purchased during the year	30.16		-	
Kotak Floater Short Term-Daily Dividend reinvestment 1,19,62,830 Units of Rs.10 each purchased during the year	12.01		-	
LIC Infrastructure Fund-Dividend reinvestment option 1,00,00,000 Units of Rs.10 each purchased during the year	10.00		-	
LIC MF Fixed Maturity Plan Series 33-13 Month Dividend reinvestment 5,16,06,479 Units of Rs.10 each purchased during the year	51.61		-	
LIC MF Floating Rate Fund-Short Term Plan-Dividend 24,11,35,228 Units of Rs.10 each purchased during the year	245.09		-	
LIC MF Liquid Fund-Dividend reinvestment Plan 13,66,36,955 Units of Rs.10 each purchased during the year	150.03		-	
LICMF Top 100 Fund-Dividend reinvestment option 1,50,00,000 Units of Rs.10 each purchased during the year	15.00		-	
Lotus India Liquid Fund-Super Institutional-Daily Dividend reinvestment 9,00,03,146 Units of Rs.10 each purchased during the year	90.02		-	
Lotus India Liquid Plus Fund-Institutional Daily Dividend reinvestment 4,49,55,453 Units of Rs.10 each purchased during the year	45.03		-	
Mirae Asset Liquid Plus Fund-Super IP-Daily Dividend reinvestment 1,99,721 Units of Rs.1000 each purchased during the year	20.00		-	
Principal Floating Rate Fund-FMP-IP-Daily Dividend reinvestment 4,99,79,790 Units of Rs.10 each purchased during the year	50.04		-	
Reliance Liquid Plus Fund-Institutional Plan-Daily Dividend reinvestment option 2,01,746 Units of Rs.1000 each purchased during the year	20.20		-	
Reliance Liquidity Fund-Dividend Plan-Daily Dividend reinvestment Plan 4,99,94,629 Units of Rs.10 each purchased during the year	50.01		-	
Reliance Quarterly Intervel Fund Series III Institutional Plan-Dividend reinvestment option 10,59,19,444 Units of Rs.10 each purchased during the year	105.92		-	
Reliance Short Term Fund-Retail Plan-Dividend reinvestment Plan 5,73,10,894 Units of Rs.10 each purchased during the year	60.45		-	
Carried forward	3111.25	2795.76	987.88	2091.76

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	*Rs.crore*	*Rs.crore*
Schedule F (Contd.)				
Brought forward	3111.25	2795.76	*987.88*	*2091.76*
SBI Debt Fund Series 30 Days (13-Mar-08) Dividend reinvestment option 2,50,50,203 Units of Rs.10 each purchased during the year	25.05		-	
SBI Debt Fund Series SERIES-90 Days-21-(04-Mar-2008)- Dividend option 5,18,90,318 Units of Rs.10 each purchased during the year	51.89		-	
SBI Premier Liquid Fund-Super Institutional- Daily Dividend reinvestment Plan 7,84,70,466 Units of Rs.10 each purchased during the year	78.74		-	
Standard Chartered Arbitrage Fund-Plan B- Dividend reinvestment option 2,44,66,607 Units of Rs.10 each purchased during the year	25.42		-	
Standard Chartered Fixed Maturity Plan Quarterly Series 28- Dividend reinvestment 5,00,00,000 Units of Rs.10 each purchased during the year	50.00		-	
Standard Chartered Liquidity Manager Plus-A- Dividend Daily reinvestment 5,00,007 Units of Rs.1000 each purchased during the year	50.01		-	
Sunderam BNP Paribas Interval Fund Quarterly Plan B Institutional Dividend option 4,99,86,504 Units of Rs.10 each purchased during the year	50.00		-	
Tata Dynamic Bond Fund A-Dividend 4,77,54,926 Units of Rs.10 each purchased during the year	50.16		-	
Tata Fixed Income Portfolio Fund Scheme A2 Institutional Monthly Dividend option 5,01,93,814 Units of Rs.10 each purchased during the year	50.25		-	
Tata Indo-Global Infrastructure Fund-Growth 50,00,000 Units of Rs.10 each purchased during the year	5.00		-	
Tata Liquid Super High Investment Plan- Daily Dividend reinvestment Plan 4,48,712 Units of Rs.1000 each purchased during the year	50.01		-	
Tata Treasury Manager Fund Super High Investment Plan Daily Dividend reinvestment option 2,972 Units of Rs.1000 each purchased during the year	0.30		-	
Templeton India Short-Term Income Plan-Institutional Plan- Weekly Dividend reinvestment 2,49,026 Units of Rs.1000 each purchased during the year	25.13		-	
Templeton India Treasury Management Account-Super Insti. Plan-Daily Dividend reinvestment Plan 4,99,979 Units of Rs.1000 each purchased during the year	50.01		-	
UTI Fixed Income Interval Fund Quarterly Plan Series III- Institutional Dividend reinvestment 7,55,97,383 Units of Rs.10 each purchased during the year	75.60		-	
UTI Fixed Income Interval Plan Annual Interval Plan III-Growth Plan 5,00,00,000 Units of Rs.10 each purchased during the year	50.00		-	
UTI-Liquid Cash Plan Fund Institutional- Daily Dividend reinvestment option 14,71,675 Units of Rs.1000 each purchased during the year	150.03		-	
UTI Fixed Income Interval Fund Quarterly Interval Plan Series I-Instit. Dividend reinvestment option 10,00,00,000 Units of Rs.10 each purchased during the year	100.00		-	
UTI Short Term Income Fund-Institutional Income Dividend reinvestment option 2,46,55,082 Units of Rs.10 each purchased during the year	25.15		-	
	4074.00		*987.88*	
Less: Provision for diminution in value	23.35		*3.11*	
		4050.65		*984.77*
Carried forward		6846.41		*3076.53*

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule F (Contd.)				
Brought forward		6846.41		3076.53
C) Investment in Integrated Joint Ventures				
L&T-Hochtief Seabird Joint Venture	8.68		4.21	
Desbuild-L&T Joint Venture	0.07		0.07	
International Metro Civil Contractors	7.50		6.93	
Bauer-L&T Diaphragm Wall Joint Venture	0.08		0.23	
HCC-L&T Purulia Joint Venture	2.61		8.78	
Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Les Pallies Exhibition Centre)	0.36		0.29	
Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Ebene-Cybercity)	0.01		-	
L&T-AM Tapovan Joint Venture	50.71		5.47	
Metro Tunneling Group	3.44		1.93	
L&T-Eastern Joint Venture	2.23		-	
L&T-Shanghai Urban Corporation Group Joint Venture	0.16		-	
		75.85		27.91
		6922.26		3104.44

Details of investments purchased and sold during the year

	Face Value Rs.crore	Cost Rs.crore
Government Securities	365.00	365.76

	Face Value Rs.Per Unit	Nos.	Cost Rs.crore
Mutual Funds			
ABN AMRO Flexible Short Term Plan Series A Quarterly Dividend reinvestment	10	2,55,17,552	25.50
ABN AMRO FTP Series-6 Quarterly Plan D Monthly Dividend reinvestment	10	1,53,01,443	15.30
ABN AMRO Cash Fund-Institutional Plus Plan-Daily Dividend option	10	28,12,79,829	281.28
ABN AMRO Equity Fund-Dividend Plan	10	6,54,57,035	110.00
ABN AMRO Money Plus Fund-Institutional Plan-Daily Dividend option	10	18,32,55,180	183.26
ABN AMRO Money Plus Fund-Institutional Plan-Daily Dividend option (Compulsory reinvestment)	10	8,01,97,672	80.31
ABN AMRO Opportunities Fund-Dividend	10	4,17,75,740	85.99
Birla FTP Quarterly Series 12 Dividend Payout	10	2,50,00,000	25.00
Birla Mid Cap Growth Fund	10	29,12,135	32.17
Birla MIDCAP Fund-Plan A-Dividend Plan	10	2,23,60,826	75.00
Birla Sun Life Equity Fund-Plan A(Dividend)	10	15,29,165	11.34
DBS Chola FMP Series 7 (Quarterly Plan 1)-Dividend option	10	2,50,00,000	25.00
DBS Chola Freedom Income-Short Term Fund-Daily Dividend reinvestment Plan	10	6,55,19,508	65.52
DBS Chola Interval Income Fund-MPI I-A-Dividend-Auto Redemption	10	2,00,80,866	20.11
DBS Chola Liquid Fund-Daily Dividend reinvestment Plan	10	22,51,48,679	225.86
DSP Merrill Lynch Top 100 Equity Fund-Regular Plan-Dividend reinvestment Plan	10	50,77,770	12.03
DWS Alpha Equity Fund-Dividend Plan	10	60,70,417	15.00
DWS Credit Opportunities Cash Fund-Daily Dividend option	10	3,53,80,664	35.51
DWS Fixed Term Fund Series 30-Dividend option	10	2,50,00,000	25.00
DWS Insta Cash Plus Fund Institutional Plan-Daily Dividend Plan	10	8,69,00,011	87.07
DWS Insta Cash Plus Fund Super Institutional Plan-Daily Dividend	10	46,74,96,135	468.42
DWS Money Plus Fund-Dividend option	10	9,39,87,841	94.15
DWS Money Plus Fund-Institutional Daily Dividend Plan	10	10,02,42,742	100.32
Fidelity Cash Fund-Dividend reinvestment option	10	4,30,54,936	45.01
Fidelity Liquid Plus Fund-Super Institutional Plan-Daily Dividend option	10	3,51,10,659	35.11
Franklin India High Growth Companies Fund-Dividend Plan	10	1,00,00,000	10.00
Grindlays F R F-IP-LTP-Plan B-Dividend option	10	32,58,33,910	325.90
HDFC Capital Builder Fund-Dividend reinvestment plan	10	1,26,18,913	30.00
HDFC Cash Management Fund-Savings Plan-Daily Dividend option	10	26,48,28,579	265.51
HDFC Floating Rate Income Fund-Short Term Plan-Wholesale option-Dividend-Daily	10	4,96,76,586	50.08
HDFC Liquid Fund-Premium Plan-Dividend reinvestment-Daily	10	6,04,95,222	74.17
HDFC Top 200 Fund-Dividend Plan	10	8,71,621	10.49
HDFC Top 200 Fund-Dividend reinvestment Plan	10	1,50,32,701	67.52
HSBC Equity Fund-Dividend	10	2,06,92,844	81.32
HSBC Flexi Debt Fund-Inst. Fortnightly Dividend	10	2,53,03,371	25.37
HSBC Floating Rate Fund-Short Term-Inst. Plus-Dividend-Daily	10	13,00,80,087	132.08
HSBC Liquid Plus Fund-Inst. Plus-Dividend reinvestment-Daily	10	20,68,96,054	207.16
ICICI Prudential Emerging Star Fund-Growth	10	50,10,824	21.87
ICICI Prudential FMP series 38-3 Month Plan A-Retail Dividend option	10	2,00,00,000	20.00
ICICI Prudential Interval Fund-Monthly Interval Plan I-Retail Dividend	10	1,49,66,193	15.08
ICICI Prudential Liquid Plan-Super Institutional Dividend Daily	10	1,59,90,07,681	1599.07

Schedules forming part of Accounts (contd.)

Schedule F (Contd.)

Details of investments purchased and sold during the year (contd.)

	Face Value Rs. Per Unit	Nos.	Cost Rs.crore
ICICI Prudential Power Plan-Dividend reinvestment Plan	10	2,95,72,098	66.43
ICICI Prudential Sweep Plan-Cash option-Dividend option-Daily	10	8,11,18,733	81.12
ICICI Prudential Technology Fund-Growth option	10	71,53,076	10.00
JM Emerging Leader Fund-Growth Plan	10	1,19,51,337	23.74
JM Basic Fund-Dividend Plan	10	1,04,98,199	30.00
JM Basic Fund-Growth Plan (246)	10	55,75,458	21.22
JM Emerging Leaders Fund-Dividend	10	4,07,60,789	70.00
JM FMP Series 5-Quaterly Plan 3-Institutional Dividend Plan	10	1,02,02,929	10.20
JM Money Manager Fund-Super Plus Plan-Dividend option-Daily dividend	10	5,00,77,887	50.08
JP Morgan Liquid Fund-Growth option	10	41,044	0.04
JP Morgan India Equity Fund-Growth	10	2,50,00,000	25.00
Kotak Flexi-Debt-Daily Dividend	10	18,42,70,142	184.84
Kotak Liquid-Institutional Premium Plan-Daily Dividend reinvestment plan	10	30,85,76,086	377.33
LICMF Index Fund-Nifty-Dividend Plan	10	1,58,73,822	25.00
LICMF Index Fund-Sensex-Dividend	10	1,62,53,397	25.00
LICMF Liquid Plus Fund-Dividend reinvestment Plan	10	41,92,64,684	419.26
Lotus India Liquid Fund-Institutional-Daily Dividend	10	4,00,21,641	40.03
Mirae Asset Liquid Fund-Super IP-Daily Dividend reinvestment	1000	5,00,135	50.05
Principal Balanced Fund-Dividend	10	2,59,60,540	50.00
Principal Floating Rate Fund-SMP-Daily Dividend	10	12,55,15,043	125.52
Principal Large Cap Fund-Dividend reinvestment Plan	10	86,75,535	15.00
Principal Resurgent India Equity Fund-Dividend	10	3,30,49,578	60.00
Reliance Equity Fund Institutional Plan Dividend option	10	83,54,219	10.00
Reliance Equity Fund-Growth Plan-Growth option	10	83,33,333	10.62
Reliance Equity Opportunities Fund Institutional Plan Dividend option	10	1,99,91,899	40.00
Reliance Floating Rate Fund-Dividend Plan-Daily Dividend option	10	2,48,60,021	25.03
Reliance Growth Fund-Institutional Plan-Dividend Plan	10	2,41,812	11.04
Reliance Growth Fund-Growth Plan-Growth option	10	7,40,403	22.76
Reliance Growth Fund-Institutional Plan-Growth Plan	10	52,94,513	70.00
Reliance Monthly Intervel Fund Series-I Institutional-Dividend Plan	10	5,03,00,583	50.39
Reliance Monthly Intervel Fund Series-II Institutional-Dividend Plan	10	5,02,80,750	50.29
Reliance Monthly Intervel Fund Series-II Retail-Dividend Plan	10	2,51,32,799	25.17
Reliance Vision Fund Institutional Plan Dividend option	10	57,34,495	45.00
SBI Debt Fund Series 90 Days-14 (Sept-07)-Dividend option	10	5,08,62,950	50.86
SBI Debt Fund Series 90 Days-19 (4/12/07)-Dividend option	10	5,17,86,672	51.79
SBI Infrastructure Fund-I-Dividend option	10	50,00,000	5.00
SBI MF Magnum Insta Cash Plan-Dividend reinvestment	10	14,41,85,494	240.65
SBI Short Horizon Fund-Liquid Plus fund-Institutional Plan-Daily Dividend	10	51,26,363	5.12
Standard Chartered Classic Equity Fund-Plan-Dividend	10	54,59,260	10.00
Standard Chartered Fixed Maturity Plan Quarterly Series 8-Dividend option	10	2,54,89,000	25.49
Sundaram BNP Paribas Money Fund Super Institutional Daily Dividend reinvestment	10	63,18,46,030	637.87
Sundaram BNP Paribas Select Midcap-Growth	10	14,85,824	21.60
Sundaram BNP Paribas Select Midcap-Dividend	10	1,72,97,313	40.00
Sunderam BNP Paribas Liquid Plus-Super Institutional Daily Dividend reinvestment	10	21,82,38,192	218.76
Tata Fixed Horizon Fund Series-10 Scheme D-IP-Monthly Dividend	10	1,02,00,847	10.20
Tata Fixed Horizon Fund Series-10 Scheme E-ID-Periodic Dividend	10	1,53,11,975	15.31
Tata Floater Fund Daily Dividend	10	11,97,61,304	120.19
Tata Floating Short Term Institutional Plan (Dividend)	10	34,95,78,716	349.77
Templeton Floating Rate Income Fund-Long Term-Super Institutional Plan-Daily Dividend	10	9,82,95,566	98.45
Templeton Floating Rate Income Fund-Long Term Plan-Dividend option	10	27,19,79,182	273.96
Templeton Quarterly Interval Plan A-Institutional-Dividend reinvestment	10	3,06,39,065	30.64
UTI Fixed Maturity Plan Quarterly Series QFMP/0407/II Institutional Dividend reinvestment option	10	2,55,12,392	25.51
UTI Liquid Plus Fund Institutional Plan-Daily Dividend reinvestment option	1000	17,51,286	175.16
ABN AMRO FTP Series-4 Quarterly Plan C Monthly Dividend reinvestment	10	4,29,271	0.43
Birla Income Plus Quarterly Dividend Plan	10	2,02,32,044	21.09
DBS Chola Treasury Management Fund-Daily Dividend reinvestment option	10	11,51,92,818	115.26
DSP Merrill Lynch Cash Plus Fund-Institutional Plan-Daily Dividend reinvestment	1000	1,00,322	10.03
DSP Merrill Lynch Fixed Term Plan Series 1 H Institutional-Dividend reinvestment	1000	2,835	0.28
HDFC Cash Management Fund-Call Plan-Daily Dividend Plan	10	11,92,65,096	124.35
HDFC Income Fund-Dividend option	10	1,99,20,851	20.84
HSBC Cash Fund-Inst. Plus-Dividend reinvestment-Daily	10	51,16,46,433	511.93
ICICI Prudential Flexible Income Plan-Dividend Plan	10	18,59,89,084	196.66
ICICI Prudential Income Plan-Institutional Quarterly Dividend Plan	10	2,07,32,732	21.72
ING Liquid Fund-Super Institutional Daily Dividend reinvestment option	10	2,01,55,92,264	2016.55
JM Fixed Maturity Fund-Series IV-Quarterly Plan 3-F2-Dividend Plan	10	2,41,658	0.24
JM Fixed Maturity Fund-Series IV-Quarterly Plan 4-F3 Dividend Plan	10	2,02,107	0.20
JM Money Manager Fund-Regular Plan-Dividend option-Daily dividend	10	4,31,08,854	43.11

Schedules forming part of Accounts (contd.)

Schedule F (Contd.)

Details of investments purchased and sold during the year (contd.)

	Face Value Rs. Per Unit	Nos.	Cost Rs.crore
Principal Income Fund-Dividend Plan-Institutional-Quarterly	10	1,83,40,353	21.34
Principal Cash Management Fund-Liquid option Instistutional Premium-Dividend reinvestment Plan	10	2,03,95,69,898	2039.71
Tata Fixed Horizon Fund Series 8 Scheme F-Periodic Institutional Plan Dividend reinvestment	10	4,85,225	0.49
Templeton India Income Fund-Dividend option	10	8,14,311	0.85
UTI MF Money Market Fund-Daily Dividend reinvestment	10	79,02,086	14.02
AIG India Liquid Fund-Super Institutional Plan-Daily Dividend option	1000	84,31,565	843.84
AIG India Treasury Plus Fund-Institutional Plan-Daily Dividend reinvestment option	10	7,50,38,234	75.12
Birla Cash Plus-Institutional Premium Plan-Daily Dividend reinvestment Plan	10	1,60,10,73,409	1604.20
Birla Sun Life Liquid Plus-Institutional Plan-Daily Dividend reinvestment	10	13,61,43,397	136.24
Birla Top 100-Dividend reinvestment option	10	2,43,09,315	41.77
DBS Chola Short Term Floating Rate Fund-Dividend-reinvestment Daily	10	2,56,71,65,352	2571.39
DSP Merrill Lynch Cash Plus Fund-Institutional Plan-Daily Dividend reinvestment	1000	13,12,947	131.31
Fidelity Cash Fund-Super Institutional Plan-Daily Dividend option	10	39,05,44,252	390.55
GSSIF-ST-Plan C-Monthly Dividend reinvestment	10	2,51,08,533	25.41
HDFC Cash Management Fund-Savings Plan-Daily Dividend reinvestment option	10	1,32,07,72,552	1404.83
HDFC MID-CAP Opportunities Fund-Growth option	10	2,35,97,266	25.06
HDFC Short Term Plan-Dividend option	10	4,84,81,043	50.00
ICICI Prudential Emerging Star Fund-Dividend	10	2,02,21,415	46.99
ICICI Prudential Technology Fund-Dividend option	10	71,35,193	12.84
ING Liquid Plus Fund-Institutional Daily Dividend option	10	18,50,03,804	185.06
ING Vysya Short Term Income Fund-Dividend reinvestment option	10	4,36,69,072	50.45
JP Morgan India Liquid Fund-Daily dividend reinvestment option.	10	56,98,03,432	570.25
JP Morgan India Liquid Plus Fund-Daily dividend reinvestment option.	10	14,72,22,687	147.35
Kotak Floater Short Term-Daily Dividend reinvestment	10	20,70,65,653	207.92
LIC MF Floating Rate Fund-Short Term Plan-Dividend	10	96,24,41,362	977.30
LIC MF Liquid Fund-Dividend reinvestment Plan	10	81,82,56,592	898.45
Lotus India Liquid Fund-Super Institutional-Daily Dividend	10	61,96,95,385	619.78
Lotus India Liquid Plus Fund-Institutional Daily Dividend reinvestment	10	5,01,91,835	50.27
Principal Floating Rate Fund-FMP-IP-Daily Dividend	10	76,71,72,902	768.12
Reliance Liquid Plus Fund-Institutional Plan-Daily Dividend option	1000	11,06,660	110.80
Reliance Liquidity Fund-Dividend Plan-Daily Dividend reinvestment Plan	10	84,83,61,149	848.62
Reliance Short Term Fund-Retails Plan-Dividend Plan	10	4,74,16,457	50.45
SBI Premier Liquid Fund-Super Institutional-Daily Dividend reinvestment Plan	10	58,37,16,528	585.61
Standard Chartered Liquidity Manager Plus-A-Dividend Daily reinvestment	1000	1,20,18,151	1202.06
Tata Dynamic Bond Fund A-Dividend	10	2,44,68,427	25.22
Tata Liquid Super High Investment Plan-Daily Dividend reinvestment Plan	1000	1,44,45,559	1609.99
Tata Treasury Manager Fund Super High Investment Plan Daily Dividend	1000	10,49,243	105.24
Templeton India Short-Term Income Plan-Institutional Plan-Weekly Dividend	1000	2,51,806	25.45
Templeton India Treasury Management Account-Super Institutional Plan-Daily Dividend reinvestment Plan	1000	1,30,96,316	1309.96
UTI-Liquid Cash Plan Fund Institutional-Daily Dividend reinvestment option	1000	1,31,33,864	1338.93

Schedules forming part of Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule G				
Current Assets, Loans and Advances:				
Current Assets:				
Interest accrued on investments		14.32		26.52
Inventories:				
Stock-in-trade, at cost or net realisable value whichever is lower:				
Raw materials	309.27		187.86	
Components	242.81		147.85	
Construction materials	6.44		6.42	
Stores, spare parts and loose tools	89.55		58.88	
Finished goods	321.38		246.93	
	969.45		647.94	
Work-in-Progress:				
Manufacturing work-in-progress at cost or net realisable value whichever is lower	298.93		276.73	
Construction and Project related work-in-progress				
At cost	1757.96		1092.43	
At estimated realisable value on sale	14757.15		10317.35	
	16515.11		11409.78	
Less: Progress bills raised	13477.58		9333.31	
Due from customers	3037.53		2076.47	
Total Work-in-Progress	3336.46		2353.20	
		4305.91		3001.14
Sundry Debtors:				
Unsecured:				
Debts outstanding for more than 6 months				
Considered good	1823.74		1523.66	
Considered doubtful	272.19		222.86	
	2095.93		1746.52	
Other Debts:				
Considered good	5541.27		3980.98	
	7637.20		5727.50	
Less: Provision for doubtful debts	272.19		222.86	
		7365.01		5504.64
Cash and bank balances:				
Cash on hand	7.80		3.33	
Cheques on hand	270.83		249.48	
Balances with scheduled banks:				
on current accounts	376.82		292.72	
on fixed deposits including interest accrued thereon [See Note No.4(a)]	182.99		251.32	
on margin money deposit accounts	1.61		1.62	
Balances with non-scheduled banks [See Note No.4(b)]	124.41		295.96	
		964.46		1094.43
Loans and advances:				
Secured, Considered good:				
Loans against mortgage of house property	24.34		28.77	
Unsecured				
Considered good				
Subsidiary companies				
Loans including interest accrued thereon	82.19		41.14	
Others	160.02		146.40	
Associate companies				
Advances recoverable	13.96		3.55	
Advances towards equity commitment				
Subsidiary companies	66.35		2.16	
Inter-Corporate deposits				
Subsidiary companies	16.29		95.32	
Associate companies [See Note No.14(B)]	10.00		10.00	
Others	11.02		15.00	
Advances recoverable in cash or in kind [See Note No.13]	3240.28		1917.92	
Carried forward	3624.45	12649.70	2260.26	9626.73

Schedules forming part of Accounts (contd.)

		As at 31-3-2008		As at 31-3-2007	
		Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule G (Contd.)					
Brought forward		3624.45	12649.70	2260.26	9626.73
Balance with customs, port trust, etc.		39.37		16.84	
Considered doubtful:					
Deferred credit against sale of ships		16.68		18.08	
Advances recoverable in cash or in kind		23.55		23.40	
		3704.05		2318.58	
Less: Provision for doubtful loans and advances		40.23		41.48	
			3663.82		2277.10
			16313.52		11903.83

		As at 31-3-2008		As at 31-3-2007	
		Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule H					
Current Liabilities and Provisions:					
Liabilities:					
Acceptances			62.17		80.08
Sundry creditors:					
Due to: Subsidiary Companies		107.38		247.15	
Micro and Small Enterprises [See Note No.31]		3.62		0.94	
Others [See Note No.6]		5287.90		3754.67	
			5398.90		4002.76
Due to customers:					
Progress bills raised		19139.52		13430.24	
Less: Construction and Project related work-in-progress					
At cost *(Previous year Rs.686.24 crore)*	948.37				
At estimated realisable value *(Previous year Rs.11116.82 crore)*	15573.76				
		16522.13		11803.06	
			2617.39		1627.18
Advances from customers			3518.49		2405.91
Items covered by Investor Education and Protection Fund [See Note No.35]					
Unpaid dividend		9.61		33.90	
Unpaid matured deposits		0.12		0.22	
Unpaid matured debentures/bonds		1.58		2.20	
Interest accrued on bonds		0.03		0.05	
			11.34		36.37
Due to Directors			22.86		14.70
Interest accrued but not due on loans			17.23		8.81
Pension payable under Voluntary Retirement-cum-Pension Scheme (payable within one year:Rs 0.01 crore)			0.04		0.49
			11648.42		8176.30
Provisions for:					
Current Taxes		918.12		607.07	
Tax on Fringe Benefits		68.52		15.18	
Proposed dividend		438.49		56.65	
Additional tax on dividend		66.60		9.63	
Gratuity		0.45		0.38	
Compensated absences		209.49		209.03	
Employee pension schemes		151.35		118.56	
Post-retirement medical benefit plan		56.67		46.36	
Long service awards		14.59		16.26	
Premium payable on redemption on FCCBs		-		3.63	
Other Provisions [See Note No.21]		111.14		97.38	
			2035.42		1180.13
			13683.84		9356.43

LARSEN & TOUBRO
It's all about Imagineering

Schedules forming part of Accounts (contd.)

	As at 31-3-2008	As at 31-3-2007
	Rs.crore	Rs.crore
Schedule I		
Miscellaneous Expenditure:		
(to the extent not written off or adjusted)		
Voluntary Retirement-cum-Pension Schemes/Voluntary Retirement Schemes	3.06	9.84
	3.06	9.84

	As at 31-3-2008	As at 31-3-2007
	Rs.crore	Rs.crore
Schedule J		
Contingent Liabilities:		
(a) Claims against the Company not acknowledged as debts	112.36	133.61
(b) Sales tax liability that may arise in respect of matters in appeal	202.98	58.42
(c) Excise duty/Service Tax liability that may arise in respect of matters in appeal/challenged by the Company in writ	9.91	7.44
(d) Income tax liability (including penalty) that may arise in respect of which the Company is in appeal	0.92	0.22
(e) Guarantees given on behalf of Subsidiary Companies	69.18	60.53
(f) Guarantees given on behalf of Associate Companies	10.00	10.00

Notes:

1. The Company does not expect any reimbursements in respect of the above contingent liabilities.
2. It is not practicable to estimate the timing of cash outflows, if any, in respect of matters at (a) to (d) above pending resolution of the arbitration/ appellate proceedings.
3. In respect of matters at (e) and (f), the cash outflows, if any, could generally occur during the next three years, being the period over which the validity of the guarantees extends except in a few cases where the cash outflows, if any, could occur any time during the subsistence of the borrowing to which the guarantees relate.

	2007-2008	2006-2007
	Rs.crore	Rs.crore
Schedule K		
Sales & Service:		
Manufacturing, trading and property development activity	6132.85	4710.22
Construction and project related activity	18410.05	12711.20
Servicing	182.85	141.84
Commission	222.51	146.94
Compensation, engineering and service fees	209.93	190.39
Shipbuilding subsidy	29.29	-
	25187.48	17900.59

	2007-2008	2006-2007
	Rs.crore	Rs.crore
Schedule L (i)		
Other Operational Income:		
Income from hire of plant and machinery	6.62	12.06
Commercial leadership fees	0.05	1.95
Technical fees	13.06	14.90
Company's share in net profit of Integrated Joint Ventures [See Note No.12(b)]	1.28	6.44
Lease rentals	2.14	2.35
	23.15	37.70

Schedules forming part of Accounts (contd.)

	2007-2008		2006-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule L (ii)				
Other Income:				
Dividend income from long term investments:				
Subsidiary companies	46.91		41.71	
Trade investments	11.50		35.23	
Other investments	2.42		10.81	
		60.83		87.75
Dividend income from current investments		124.73		99.56
Lease rental		26.96		21.97
Profit on sale of long term investments (net) [See Note No. 9]		111.82		23.43
Profit on sale of current investments (net)		45.27		-
Profit on sale of fixed assets (net)		6.92		6.90
Gain on extinguishment of debt		-		0.51
Miscellaneous income		177.95		181.78
Unclaimed credit balances		12.99		3.55
		567.47		425.45

	2007-2008	2006-2007
	Rs.crore	Rs.crore
Schedule L (iii)		
Interest Income:		
Interest received on inter-corporate deposits, from subsidiary and associate companies, customers and others (Tax deducted at source Rs.3.24 crore; *Previous year Rs.1.83 crore*)	47.22	28.11
Income from long term investments: Interest on bonds and Government securities (Tax deducted at source Rs.Nil crore; *Previous year Rs. Nil*)	25.78	26.16
Income from current investments: Interest on bonds and Government securities (Tax deducted at source Rs.0.63 crore; *Previous year Rs.0.62 crore*)	11.48	4.79
	84.48	59.06

	2007-2008		2006-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule M				
Manufacturing, Construction and Operating Expenses:				
Materials consumed:				
Raw materials and components	5889.28		3653.96	
Construction materials	5610.32		3651.01	
	11499.60		7304.97	
Less: Scrap sales	72.00		53.87	
		11427.60		7251.10
Purchase of trading goods		1581.90		1183.41
(Increase)/Decrease in manufacturing and trading stocks:				
Closing stock:				
Finished goods	321.38		246.93	
Work-in-progress	1370.27		698.55	
	1691.65		945.48	
Less: Opening stock:				
Finished goods	246.93		190.48	
Work-in-progress	698.55		633.24	
	945.48		823.72	
		(746.17)		(121.76)
Carried forward		12263.33		8312.75

Schedules forming part of Accounts (contd.)

	2007-2008		2006-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule M (Contd.)				
Brought forward		12263.33		8312.75
Sub-contracting charges		4490.44		3391.95
Stores, spares and tools		699.54		469.42
Other manufacturing, construction and operating expenses:				
Excise duty	1.60		4.59	
Power & fuel	346.21		293.73	
Royalty and technical know-how fees	1.76		2.32	
Packing and forwarding	85.54		55.75	
Hire charges-Plant & machinery and others	288.72		161.92	
Engineering, Technical and Consultancy fees	356.30		309.16	
Insurance	63.83		93.95	
Rent	67.84		37.00	
Rates & taxes	19.08		21.51	
Travelling and conveyance	186.11		141.56	
Repairs to Plant & Machinery	52.98		40.92	
Repairs to Buildings	7.19		8.63	
General repairs & Maintenance	78.96		52.71	
Other expenses	121.03		139.71	
		1677.15		1363.46
		19130.46		13537.58

	2007-2008		2006-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule N				
Staff Expenses:				
Salaries, wages and bonus		1179.00		830.72
Contribution to and provision for:				
Provident funds and pension fund	59.26		51.96	
Superannuation/Employee pension schemes (including provision of Rs.32.79 crore; *previous year Rs.36.98 crore*)	66.50		64.55	
Gratuity funds (including provision of Rs.0.07 crore; *previous year Rs.0.07crore*)	27.35		50.79	
Compensated absences	0.34		47.19	
		153.45		214.49
Welfare and other expenses		202.99		213.98
		1535.44		1259.19

	2007-2008	2006-2007
	Rs.crore	Rs.crore
Schedule O		
Sales, Administration and Other Expenses:		
Power and fuel	19.04	14.40
Packing and forwarding	181.75	111.54
Professional fees	95.87	93.96
Insurance	17.25	13.46
Rent (including lease rental Rs.39.49 crore; *previous year Rs.31.81 crore*)	90.50	76.68
Rates and taxes	28.14	23.66
Travelling and conveyance	178.09	136.58
Repairs to buildings	22.78	12.38
Carried forward	633.42	482.66

Schedules forming part of Accounts (contd.)

	2007-2008		2006-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule O (Contd.)				
Brought forward		633.42		482.66
General repairs and maintenance		75.18		55.78
Directors' fees		0.18		0.26
Telephone, postage and telegrams		57.54		50.00
Advertising and publicity		53.51		48.95
Stationery and printing		27.72		23.70
Commission:				
Distributors and agents	28.07		20.62	
Employees and others	9.36		6.41	
		37.43		27.03
Bank charges		50.96		44.67
Miscellaneous expenses		249.80		111.70
Bad debts and advances written off	37.67		95.80	
Less:Provision for doubtful debts and advances written back	36.24		94.26	
		1.43		1.54
Loss on sale of current investments (net)		-		7.26
Company's share in loss of Integrated Joint Ventures[See Note No.12(b)]		3.69		0.03
Discount on sales		47.43		37.07
Provision for doubtful debts and advances (net)		84.32		82.50
Provision for foreseeable losses on construction contracts		24.80		8.27
Provision for diminution in value of investments		24.42		11.95
Other Provisions [See Note No.21]		13.76		34.58
		1385.59		1027.95

	2007-2008	2006-2007
	Rs.crore	Rs.crore
Schedule P		
Interest expenses & Brokerage:		
Debentures and fixed loans	45.47	35.84
Others	77.19	57.15
	122.66	92.99

Schedules forming part of Accounts (contd.)

SIGNIFICANT ACCOUNTING POLICIES

Schedule Q

1. **Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"] except for the revaluation of certain fixed assets, in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government. However, certain escalation and other claims, which are not ascertainable/acknowledged by customers, are not taken into account.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful life of tangible and intangible fixed assets, provision for doubtful debts/advances, future obligations in respect of retirement benefit plans, etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

2. **Revenue Recognition**

(a) Sales and service include excise duty and adjustments made towards liquidated damages, price variation, and charges paid for discounting of receivables on a non-recourse basis as per construction/project contracts, wherever applicable.

(b) Revenue is recognised based on the nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

(i) Revenue from sale of goods is recognised when the substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.

(ii) Revenue from construction/project related activity and contracts for supply/commissioning of complex plant and equipment is recognised as follows:

a) Cost plus contracts: Contract revenue is determined by adding the aggregate cost plus proportionate margin as agreed with the customer.

b) Fixed price contracts received up to March 31, 2003: Contract revenue is recognised by applying percentage of completion to the contract value. Percentage of completion is determined as follows:

i in the case of item rate contracts, as a proportion of the progress billing to contract value; and

ii in the case of other contracts, as a proportion of the cost incurred-to-date to the total estimated cost.

c) Fixed price contracts received on or after April 1, 2003: Contract revenue is recognised by adding the aggregate cost and proportionate margin using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred-to-date to the total estimated contract cost.

Full provision is made for any loss in the period in which it is foreseen.

(iii) Revenue from property development activity is recognised when all significant risks and rewards of ownership in the land and/or building are transferred to the customer and a reasonable expectation of collection of the sale consideration from the customer exists.

(iv) Revenue from service related activities is recognised using the proportionate completion method.

(v) Commission income is recognised as and when the terms of the contract are fulfilled.

(vi) Revenues from construction/project related activity and contracts executed in Joint Ventures under work-sharing arrangement [being Jointly Controlled Operations, in terms of Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures"], are recognised on the same basis as similar contracts independently executed by the Company.

(c) Other operational income is recognised on rendering of related services, as per the terms of the contracts.

(d) Profit/Loss on contracts executed by Integrated Joint Ventures under profit-sharing arrangement [being Jointly Controlled Entities, in terms of Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures"], is accounted as and when the same is determined by the Joint Venture. Revenue from services rendered to such Joint Ventures is accounted on accrual basis.

(e) Interest income is accounted at applicable coupon rates on the respective investments.

(f) Other items of income are accounted as and when the right to receive arises.

3. **Government Grant for Shipbuilding Business**

Government subsidy related to shipbuilding contracts is recognised on a prudent basis in the Profit and Loss Account as revenue from operations in proportion to work completed when there is reasonable assurance that the conditions for the grant of subsidy will be fulfilled.

4. **Research and Development**

Revenue expenditure on research and development is charged under respective heads of account in the year in which it is incurred. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

5. **Employee Benefits**

(a) Short Term Employee Benefits

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences etc. and the expected cost of bonus, ex-gratia. are recognised in the period in which the employee renders the related service.

(b) Post-Employment Benefits

(i) **Defined Contribution Plans:** The Company's superannuation scheme, state governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the related service.

Schedules forming part of Accounts (contd.)

Schedule Q (Contd.)

(ii) **Defined Benefit Plans:** The employees gratuity fund schemes, post-retirement medical care scheme, pension scheme and provident fund scheme managed by trust are the Company's defined benefit plans. Wherever applicable, the present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognised immediately in the Profit & Loss Account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognise the obligation on the net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs. Past service cost is recognised as expense on a straight-line basis over the average period until the benefits become vested.

(c) Long Term Employee Benefits

The obligation for long term employee benefits such as long term compensated absences, long service award etc. is recognised in the similar manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

(d) Termination Benefits

Where termination benefits such as compensation under voluntary retirement cum pension scheme are payable within a year of the balance sheet date, the actual amount of termination benefits is amortised over a defined period. Where termination benefits are payable beyond one year of the balance sheet date, the discounted amount of termination benefits is amortised over a defined period.

The defined period of amortisation is five years or the period till March 31, 2010, whichever is earlier.

6. **Fixed Assets**

Fixed assets are stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation, accumulated amortisation and cumulative impairment and those which were revalued as on October 1, 1984 are stated at the values determined by the valuers less accumulated depreciation, accumulated amortisation and cumulative impairment. Assets acquired on hire purchase basis are stated at their cash values. Specific know-how fees paid, if any, relating to plant and machinery is treated as part of cost thereof.

Revenue expenses incurred in connection with project implementation insofar as such expenses relate to the period prior to the commencement of commercial production are treated as part of project cost and capitalised.

Own manufactured assets are capitalised at cost including an appropriate share of overheads.

(Also refer to policy on Leases, Borrowing Costs, Impairment of Assets and Foreign Currency Transactions *infra.*)

7. **Leases**

a) Lease transactions entered into prior to April 1, 2001:

Assets leased out are stated at original cost. Lease equalisation adjustment is the difference between capital recovery included in the lease rentals and depreciation provided in the books.

Lease rentals in respect of assets acquired under leases are charged to Profit and Loss Account.

b) Lease transactions entered into on or after April 1, 2001:

(i) Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

(ii) Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

(iii) Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.

(iv) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.

(v) Initial direct costs relating to assets given on finance leases are charged to Profit and Loss Account.

(Also refer to policy on Depreciation, *infra*)

8. **Depreciation**

(a) Owned assets

(i) Revalued Assets:

Depreciation is provided, on straight line method on the values and at the rates given by the valuers. The difference between depreciation provided on revalued amount and on historical cost is transferred from Revaluation Reserve to Profit and Loss Account.

(ii) Assets carried at historical cost:

Depreciation on assets carried at historical cost is provided on the written down value basis, on assets acquired up to March 31, 1968 (at the rates prescribed under Schedule XIV to the Companies Act, 1956) and on straight line method, on assets acquired subsequently (at the rates prevailing at the time of their acquisition on assets acquired up to September 30, 1987 and at the rates prescribed under

Schedules forming part of Accounts (contd.)

Schedule Q (Contd.)

Schedule XIV on assets acquired after that date). However, in respect of the following asset categories, the depreciation is provided at higher rates in line with their estimated useful life.

Category of asset	Rate of Depreciation (% p.a.)
Furniture and Fixtures	10.00
Plant and Machinery:	
i) Office Equipment	6.67
ii) Cranes above 1000 ton capacity used for Construction activity	6.67
iii) Minor Plant & Machinery of Construction activity	20.00
iv) Heavy Lift Equipment of Construction activity	5.00
v) Earthmoving, tunnelling & transmission line equipment (other than employed in heavy construction work)	10.00
vi) Air conditioning and Refrigeration Equipment	8.33
vii) Laboratory and Canteen Equipment	12.50
Motor cars	14.14

(iii) Depreciation for additions to/deductions from owned assets is calculated *pro rata* from/to the month of additions/deductions. Extra shift depreciation is provided on a location basis.

(iv) Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

(b) Leased assets

(i) Lease transactions entered into prior to April 1, 2001:

Assets given on lease are depreciated over the primary period of the lease. Accordingly, while the statutory depreciation on such assets is provided on straight line method as per Schedule XIV to the Companies Act, 1956, the difference is adjusted through lease equalisation and lease adjustment account.

(ii) Lease transactions entered into on or after April 1, 2001:

Assets acquired under finance leases are depreciated on a straight line method over the lease term. Where there is reasonable certainty that the Company shall obtain ownership of the assets at the end of the lease term, such assets are depreciated at the rates prescribed under Schedule XIV to the Companies Act, 1956 or at the higher rates adopted by the Company for similar assets.

9. **Intangible Assets and Amortisation**

Intangible assets are recognised as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" as specified in the Companies (Accounting Standards) Rule, 2006 and are amortised as follows:

(a) Leasehold land: Over the period of lease

(b) Jetty: Over the period of the concession agreement signed with the appropriate authority such that the cumulative amortisation is not less than the cumulative rebate availed by the Company.

(c) Specialised software: Over a period of three years

(d) Lump sum fees for technical know-how: Over a period of six years in case of foreign technology and three years in the case of indigenous technology

Amortisation on impaired assets is provided by adjusting the amortisation charges in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

10. **Impairment of Assets**

As at each balance sheet date, the carrying amount of assets is tested for impairment so as to determine:

(a) the provision for impairment loss, if any, required; or

(b) the reversal, if any, required of impairment loss recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined:

(a) in the case of an individual asset, at the higher of the net selling price and the value in use;

(b) in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net selling price and the value in use.

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life)

11. **Investments**

Long term investments including interests in Incorporated Jointly Controlled Entities, are carried at cost, after providing for any diminution in value, if such diminution is of permanent nature. Current investments are carried at lower of cost or market value. The determination of carrying amount of such investments is done on the basis of specific identification. Investments in Integrated Joint Ventures are carried at cost net of adjustments for Company's share in profits or losses as recognised.

12. **Inventories**

Inventories are valued after providing for obsolescence, as under:

(a) Raw materials, components, construction materials, stores, spares and loose tools at lower of weighted average cost or net realisable value.

(b) Work-in-progress

(i) Work-in-progress (other than project and construction-related) at lower of cost including related overheads or net realisable value.

Schedules forming part of Accounts (contd.)

Schedule Q (Contd.)

(ii) Project and construction-related work-in-progress at cost till such time the outcome of the job cannot be ascertained reliably and at realisable value thereafter.

In the case of qualifying assets, cost includes applicable borrowing costs *vide* policy relating to Borrowing Costs,

(c) Finished goods at lower of weighted average cost or net realisable value. Cost includes related overheads and excise duty paid/payable on such goods.

(d) Property development land at lower of cost or net realisable value.

13. **Securities Premium Account**

(a) Securities premium includes:

(i) The difference between the market value and the consideration received in respect of shares issued pursuant to Stock Appreciation Rights Scheme

(ii) The discount allowed, if any, in respect of shares allotted pursuant to Stock Options Scheme.

(b) The following expenses are written off against securities premium account:

(i) Issue expenses pertaining to shares

(ii) Issue expenses pertaining to debentures/bonds, net of tax.

(iii) Premium on redemption of debentures/bonds, net of tax.

14. **Borrowing Costs**

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

15. **Employee Stock Ownership Schemes**

In respect of stock options granted pursuant to the Company's Stock Options Scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation cost over the vesting period.

16. **Miscellaneous Expenditure**

Lump sum compensation paid under Voluntary Retirement-cum-Pension Schemes are amortised over a period of five years or the period till March 31, 2010, whichever is earlier. The future pensions under Voluntary Retirement-cum-Pension Scheme are amortised over the period for which pensions are payable.

17. **Foreign Currency Transactions, Foreign Operations, Forward Contracts and Derivatives**

(a) The reporting currency of the Company is the Indian Rupee.

(b) Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each balance sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences that arise on settlement of monetary items or on reporting at each balance sheet date of the Company's monetary items at the closing rate are:

(i) adjusted in the cost of fixed assets specifically financed by the borrowings, contracted up to March 31, 2004, to which the exchange differences relate.

(ii) adjusted in the cost of fixed assets specifically financed by borrowings, contracted between the period April 1, 2004 to March 31, 2007 and to which the exchange differences relate, provided the assets are acquired from outside India.

(iii) recognised as income or expense in the period in which they arise, in cases other than (i) and (ii) above.

(c) Financial statements of foreign operations comprising jobs contracted prior to April 1, 2004, are translated as follows:

(i) Closing inventories at rates prevailing at the end of the year.

(ii) Fixed assets as at April 1, 1991 at rates prevailing at the end of the year in which the additions were made. Subsequent additions are at rates prevailing on the dates of the additions. Depreciation is accounted at the same rate at which the assets are translated.

(iii) Other assets and liabilities at rates prevailing at the end of the year.

(iv) Net revenues at the average rate for the year.

(d) Financial statements of foreign operations comprising jobs contracted on or after April 1, 2004, are treated as Integral operations and translated as in the same manner as foreign currency transactions, as described above. Exchange differences arising on such translation are recognised as income or expense of the period in which they arise.

(e) Forward contracts other than those entered into, to hedge foreign currency risk on unexecuted firm commitments or of highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly. Exchange differences arising on such contracts are recognised in the period in which they arise and the premium paid/received is accounted as expense/income over the period of the contract.

Cash flows arising on account of roll over/cancellation of forward contracts are recognised as income/expense of the period in line with the movement in the underlying exposures.

(f) All the other derivative contracts, including forward contracts entered into for hedging foreign currency risks on unexecuted firm commitments and highly probable forecast transactions, are recognised in the financial statements at fair value as on the balance sheet date, in pursuance of the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008 on accounting of derivatives. The Company has adopted Accounting Standard 30, for applying the test of hedge effectiveness of the outstanding derivative contracts. Accordingly, the resultant gains or losses on fair valuation of such contracts are recognised in the profit and loss account or balance sheet as the case may be.

Schedules forming part of Accounts (contd.)

Schedule Q (Contd.)

18. **Segment Accounting**

(a) **Segment accounting policies**

Segment accounting policies are in line with the accounting policies of the Company. In addition, the following specific accounting policies have been followed for segment reporting:

(i) Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter-segment revenue.

(ii) Expenses that are directly identifiable with/allocable to segments are considered for determining the Segment Result. Expenses which relate to the Company as a whole and not allocable to segments are included under "Unallocable Corporate Expenditure".

(iii) Income which relates to the Company as a whole and not allocable to segments is included in "Unallocable Corporate Income".

(iv) Segment result includes margins on inter-segment capital jobs, which are reduced in arriving at the profit before tax of the Company.

(v) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment. Unallocable assets mainly comprise trade investments in subsidiary and associate companies that constitute or relate to the portfolio of the Company's core/thrust areas of business such as infrastructure development and software solutions. Unallocable liabilities include mainly loan funds, provisions for employee retirement benefits and proposed dividend.

(b) **Inter-segment transfer pricing**

Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

19. **Taxes on Income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on the expected outcome of assessments/appeals.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

20. **Fringe Benefit Tax**

Fringe Benefit tax (FBT) on the Employee Stock Options (ESOPs) is recognised in the Profit and Loss Account when the liability crystalises upon vesting of such stock options. Wherever such FBT liability is borne by the employee, the same is not recognised.

FBT on all the other expenses, as specified in the Income Tax Act, 1961, is recognised in the Profit and Loss Account when the underlying expenses are incurred.

21. **Accounting for Interests in Joint Ventures**

Interests in Joint Ventures are accounted as follows:

Type of Joint Venture	**Accounting treatment**
Jointly Controlled Operations	Company's share of revenues, common expenses, assets and liabilities are included in Revenues, Expenses, Assets and Liabilities respectively.
Jointly Controlled Assets	Share of the Assets, according to nature of the assets, and share of the Liabilities are shown as part of Gross Block and Liabilities respectively. Share of expenses incurred on maintenance of the assets is accounted as expense. Monetary benefits, if any, from use of the assets are reflected as income.
Jointly Controlled Entities	(a) Integrated Joint Ventures: (i) Company's share in profits or losses of Integrated Joint Ventures is accounted on determination of the profits or losses by the Joint Ventures. (ii) Investments in Integrated Joint Ventures are carried at cost net of Company's share in recognised profits or losses. (b) Incorporated Jointly Controlled Entities: (i) Income on investments in incorporated Jointly Controlled Entities is recognised when the right to receive the same is established. (ii) Investment in such Joint Ventures is carried at cost after providing for any permanent diminution in value.

Joint Venture interests accounted as above, other than investments in Incorporated Jointly Controlled Entities, are included in the segments to which they relate.

22. **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

(a) the Company has a present obligation as a result of a past event,

(b) a probable outflow of resources is expected to settle the obligation; and

(c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of

(a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation

(b) a present obligation when no reliable estimate is possible.

(c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance sheet date.

Notes forming part of Accounts

1. a) Of the Equity Shares of Rs.2 each comprised in the subscribed and paid-up capital of the Company:
   i) 9,19,943 *(previous year 9,19,943)* Equity shares were allotted as fully paid up, pursuant to contracts, without payment being received in cash.
   ii) 15,70,84,226 *(previous year 15,70,84,226)* Equity shares were issued as bonus shares by way of capitalisation of General Reserve: Rs.2.35 crore *(previous year Rs.2.35 crore)*, Securities Premium: Rs.28.97 crore *(previous year Rs.28.97 crore)* and Capital Redemption Reserve: Rs.0.10 crore *(previous year Rs.0.10 crore)*.
   iii) 1,40,99,067 *(previous year 1,25,98,166)* Equity shares were allotted as fully paid up on exercise of grants under Employees' Stock Ownership Schemes.#
   iv) 35,89,870 *(previous year 34,129)* Equity shares were allotted as fully paid up pursuant to exercise of options by bond holders of 5 Year Zero Coupon Japanese Yen Foreign Currency Convertible Bonds convertible into International Global Depository Shares representing equity shares of the Company.

   b) During the year, the Company has issued and allotted 40,00,000 *(previous year Nil)* Global Depository Shares (GDSs) at US$ 100 each representing an equal number of equity shares of Rs.2/- each. Consequently, paid up equity share capital of the Company has increased by Rs.0.80 crore and securities premium account has increased by Rs.1560.75 crore, net of issue related expenses.

   c) Options outstanding as at the end of the year on un-issued share capital:

Particulars	Number of equity shares to be issued as fully paid	
	As at 31-3-2008	*As at 31-3-2007*
On conversion of 5 year zero coupon Japanese Yen Foreign Currency Convertible Bonds #	Nil	*35,55,693*
Employee Stock Options granted and outstanding#	90,58,363	*1,20,43,601*

   d) The Directors recommend payment of final dividend of Rs.15 per equity share of Rs.2 each on the number of shares outstanding as on the record date. Provision for final dividend has been made in the books of account for 29,23,27,390 shares outstanding as at March 31, 2008 amounting to Rs.438.49 crore.

The number of options have been adjusted consequent to bonus issue wherever applicable.

2. Stock Option Schemes

   a) The grant of Options to the employees under the Stock Option Schemes is on the basis of their performance and other eligibility criteria. The Options are vested equally over a period of four years [5 years in the case of Series 2006(A)], subject to the discretion of the Management and fulfilment of certain conditions.

   b) The details of the grants under the aforesaid Schemes under various series are summarised below:

	Series reference	2000		2002 (A)		2002 (B)		2003 (A)		2003 (B)		2006		2006 (A)	
		2007-08	*2006-07*	2007-08	*2006-07*	2007-08	*2006-07*	2007-08	*2006-07*	2007-08	*2006-07*	2007-08	*2006-07*	2007-08	*2006-07*
1	Grant Price (Prior to Bonus Issue)-Rupees	-	*14*	-	*14*	-	*14*	-	*70*	-	*70*	-	*2404*	-	-
	Grant Price (Post Bonus Issue)-Rupees	7	*7*	7	*7*	7	*7*	35	*35*	35	*35*	1202	*1202*	1202	-
2	Grant Dates	01-06-2000		19-04-2002		19-04-2002		23-05-2003 onwards		23-05-2003 onwards		01-09-2006 onwards		01-07-2007 onwards	
3	Vesting commences on	01-06-2001		19-04-2003		19-04-2003		23-05-2004 onwards		23-05-2004 onwards		01-09-2007 onwards		01-07-2008 onwards	
4	Options granted and outstanding at the beginning of the year	8400	*8600*	10750	*360703*	19850	*389561*	33216	*1298417*	1299885	*1901546*	10671500	-	-	-
5	Options lapsed prior to Bonus Issue	-	-	-	-	-	-	-	*9601*	-	*31372*	-	-	-	-
6	Options granted prior to Bonus Issue	-	-	-	-	-	-	-	-	-	*56460*	-	*5335750*	-	-
7	Options exercised prior to Bonus Issue for which shares are allotted	-	*4400*	-	*355328*	-	*374636*	-	*641656*	-	*634227*	-	-	-	-
8	Options outstanding as on 29-9-2006 prior to Bonus Issue	-	*4200*	-	*5375*	-	*14925*	-	*647160*	-	*1292407*	-	*5335750*	-	-
9	Adjusted options as on 29-9-2006 consequent to Bonus Issue	-	*8400*	-	*10750*	-	*29850*	-	*1294320*	-	*2584814*	-	*10671500*	-	-
10	Options lapsed / withdrawn post Bonus Issue	-	-	-	-	-	-	1276	*24564*	116041	*56339*	3109350	-	-	-
11	Options granted post Bonus Issue	-	-	-	-	-	-	-	-	162390	*216040*	634670	-	995270	-
12	Options exercised post Bonus Issue for which shares are allotted	-	-	-	-	-	*10000*	9214	*1236540*	331766	*1444630*	1159921	-	-	-
13	Options exercised & allocated against shares earlier allotted*	-	-	-	-	-	-	7000	-	43000	-	-	-	-	-
14	Options granted and outstanding at the end of the year	8400	*8400*	10750	*10750*	19850	*19850*	*15726*	*33216*	971468	*1299885*	7036899	*10671500*	995270	-
	of which –														
	Options vested	8400	*8400*	10750	*10750*	19850	*19850*	15726	*16898*	34666	*20984*	747179	-	-	-
	Options yet to vest	-	-	-	-	-	-	-	*16318*	936802	*1278901*	6289720	*10671500*	995270	-

*Allocated from the shares returned by former nominee Directors in accordance with the consent terms approved by the Hon'ble High Court of Bombay on 14-6-2007.

Notes forming part of Accounts (contd.)

(c) During the year, the Company has recovered Rs.2.60 crore (previous year Rs.0.33 crore) towards the cost of stock options granted to employees of its subsidiary companies, pursuant to the Employee Stock Option Schemes.

3. a) Cash Credit facilities including Working Capital Demand Loans from banks are secured by hypothecation of stocks, stores and book debts. The total charge on these assets is Rs.1352.78 crore, including on account of bank guarantees as on March 31, 2008.

b) Other loans and advances from banks grouped under Unsecured Loans include loans availed from banks outside India amounting to Rs.54.47 crore secured by corporate guarantee and project-specific receivables.

4. a) Fixed Deposits with Scheduled Banks include Rs.40.41 crore, held in deposit with respect to a claim against the Company, awaiting dispute resolution.

b) Balances with Non-scheduled banks represent the balances with Indian banks classified as non-scheduled banks by the Reserve Bank of India and with all overseas branches of foreign banks. The balances with Non-Scheduled banks are as follows:

Particulars	As at 31-3-2008	*As at 31-3-2007*	Maximum amount outstanding at any time during 2007-2008	*2006-2007*
	Rs.crore	*Rs.crore*	Rs.crore	*Rs.crore*
i) Current Accounts				
Abu Dhabi Commercial Bank, Abu Dhabi	7.47	*0.09*	17.79	*0.89*
Abu Dhabi Commercial Bank, UAE	20.01	*17.10*	20.01	*17.10*
Abu Dhabi Islamic Bank , UAE	0.02	*0.33*	0.33	*1.57*
Arab Bank PLC, Amman	0.04	-	0.04	-
Arab Bank PLC, Bahrain	1.76	*0.53*	1.76	*3.44*
Arab Bank PLC, Jordan	2.48	*3.87*	3.87	*5.42*
Bank of Baroda (Kenya) Ltd, Kenya	0.38	-	2.39	-
Bank of Bhutan	2.22	*0.58*	2.22	*10.59*
Bank of Commerce & Development, Libya	0.38	*0.38*	0.38	*0.38*
Bank of Foreign Trade of Russian Federation (as at 31-3-2008: Rs.39 and *as at 31-3-2007: Rs.112)*	-	-	0.17	-
Bank of Nova Scotia, Barbados	0.99	*2.56*	2.56	*20.20*
Bank Tuanalem, Kazakhstan	-	*0.01*	0.01	*0.03*
Citibank, Tanzania	-	-	-	*0.22*
Citibank, Tokyo (JPY)	-	-	-	*3.44*
Citibank, Tokyo (USD)	-	-	-	*0.14*
Deutsche Bank, Singapore	0.01	*0.02*	1.15	*2.33*
Emirates Bank, UAE	1.17	-	1.17	-
Hakrin Bank NV, (USD) Surinam	0.01	-	0.01	-
Hakrin Bank NV, (Guilder) Surinam	-	*0.02*	0.02	*0.02*
Hongkong & Shanghai Banking Corporation (RMD), China	0.26	*0.22*	0.50	*0.22*
Hongkong & Shanghai Banking Corporation (USD), China	0.37	*0.16*	0.70	*0.31*
HSBC Bank Middle East Limited, Abu Dhabi	0.03	*0.24*	12.67	*11.70*
HSBC Bank Middle East Limited, Dubai	0.03	-	15.72	*9.13*
HSBC Bank, UAE	10.42	*4.47*	10.42	*7.20*
Mashreq Bank, Dubai	0.01	*0.02*	20.36	*13.50*
Mashreq Bank, UAE	13.24	*0.43*	13.24	*25.83*
National Bank of Kuwait, Kuwait	10.40	*33.24*	59.56	*33.39*
Nepal Investment Bank Ltd., Nepal	0.17	-	0.17	*0.07*
Rafidian Bank, Iraq	8.25	*8.93*	8.93	*9.17*
Standard Chartered Bank, Dubai	0.13	*0.81*	0.81	*2.69*
Standard Chartered Bank, Tanzania	-	-	-	*0.15*
Standard Chartered Bank, Malaysia	0.35	*0.36*	9.30	*4.20*
Standard Chartered Bank, Qatar	2.53	-	14.58	-
Union National Bank, Abu Dhabi	1.81	*6.02*	6.03	*16.47*

Notes forming part of Accounts (contd.)

	Particulars	As at 31-3-2008	*As at 31-3-2007*	Maximum amount outstanding at any time during 2007-2008	*2006-2007*
	Uttara Bank Limited, Bangladesh	-	*0.56*	0.57	*2.50*
	ICICI Bank Eurasia, Moscow	0.10	-	0.10	-
	Total (i)	85.04	*80.95*		
ii)	**Call Deposits**				
	Mashreq Bank, Dubai	0.69	*0.75*	0.75	*0.77*
	Bank of Nova Scotia, Barbados	-	*7.24*	7.24	*7.24*
	Total (ii)	0.69	*7.99*		
iii)	**Fixed Deposits**				
	Bank of Nova Scotia, Barbados	-	-	7.23	-
	Deutsche Bank, Singapore	0.92	*1.98*	1.98	*1.98*
	Emirates Bank, UAE	7.65	-	7.65	-
	HSBC Bank Middle East Ltd, Abu Dhabi	1.23	*4.56*	10.28	*4.56*
	HSBC Bank Middle East Ltd, Dubai	0.30	*2.74*	2.74	*9.07*
	HSBC Bank, UAE	-	-	-	*7.96*
	Mashreq Bank, Dubai	0.70	*197.74*	197.74	*203.22*
	Mashreq Bank, UAE	4.37	-	4.37	-
	National Bank of Kuwait, Kuwait	14.69	-	58.75	-
	Standard Chartered Bank, Malaysia	-	-	-	*10.90*
	Standard Chartered Bank, Qatar	8.82	-	8.82	-
	Total (iii)	38.68	*207.02*		
	Total (i) + (ii) + (iii)	124.41	*295.96*		

c) Call deposit with Mashreq Bank, Dubai, UAE, of Rs.0.69 crore is subject to an escrow arrangement duly approved by the Reserve Bank of India, whereby the proceeds of the deposit, together with interest thereon, would be applied towards full and final settlement of loan taken from Rafidian Bank, Iraq, which is included under Unsecured Loans. Once the UN embargo against Iraq is lifted, the settlement would be effected.

5. Loans and advances include:

   i) amount due from an officer of the Company: Rs.Nil *(previous year Rs.Nil)*. The maximum amount outstanding at any time during the year was Rs.Nil *(previous year Rs.0.04 crore)*.

   ii) rent deposit with whole-time directors: Rs.0.06 crore *(previous year Rs.0.07 crore)*. The maximum amount outstanding at any time during the year: Rs.0.07 crore *(previous year Rs.0.07 crore)*.

   iii) amount, including interest accrued, due from the Managing Director and whole-time directors in respect of Housing Loan: Rs.0.73 crore *(previous year Rs.0.76 crore)*. Maximum amount outstanding at any time during the year: Rs.0.76 crore *(previous year Rs.1.79 crore)*.

6. Sundry creditors-Others include Rs.17.67 crore *(previous year Rs.4.61 crore)*, being contribution received from the employees of the Company and some of its Subsidiary & Associate Companies, on behalf of L&T Employees Welfare Foundation Trust and held on account for it.

7. Sales and Service include Rs.75.10 crore *(previous year Rs.119.24 crore)* for price variations net of liquidated damages in terms of contracts with the customers and discounting charges on receivables.

8. Disclosures pursuant to Accounting Standard (AS) 7 (Revised):

		Rs.crore
i)	Contract revenue recognised for the year ended March 31, 2008	18410.05
ii)	Aggregate amount of contract costs incurred and recognised profits (less recognised losses) up to March 31, 2008 for all contracts in progress as at that date	33037.24
iii)	Amount of customer advances outstanding for contracts in progress as at March 31, 2008	3121.16
iv)	Retention amounts due from customers for contracts in progress as at March 31, 2008	1434.17

9. Other income for the year ended March 31, 2008 includes profit on disposal of stake in a subsidiary company amounting to Rs.87.23 crore.

Notes forming part of Accounts (contd.)

10. Disclosure pursuant to Accounting Standard (AS) 15 (Revised):

i. **Defined Contribution Plans:**

Amount of Rs.54.15 crore *(previous year Rs.43.26 crore)* is recognised as an expense and included in "Staff Expenses" (Schedule N) in the Profit and Loss Account.

ii. **Defined Benefit Plans**

a) The amounts recognised in Balance Sheet are as follows: *Rs.crore*

	Particulars	Gratuity Plan		Post-retirement Medical Benefit Plan		Company Pension Plan		Trust-Managed Provident Fund Plan	
		As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*
A	Present Value of Defined Benefit Obligation								
	- Wholly Funded	230.57	*203.07*	-	-	-	-	903.75	*827.24*
	- Wholly Unfunded	0.45	*0.38*	58.24	*46.36*	152.44	*119.76*	-	-
		231.02	*203.45*	58.24	*46.36*	152.44	*119.76*	903.75	*827.24*
	Less: Fair value of Plan Assets	203.42	*152.93*	-	-	-	-	904.29	*839.86*
	Less: Unrecognised Past Service Costs	-	-	1.57	-	1.09	*1.20*	-	-
	Amount to be recognised as liability or (asset)	27.60	*50.52*	56.67	*46.36*	151.35	*118.56*	(0.54)@	*(12.62)@*
B	Amounts reflected in the balance sheet								
	Liabilities	27.60	*50.52*	56.67	*46.36*	151.35	*118.56*	9.60	*0.75*
	Assets	-	-	-	-	-	-	-	-
	Net liability/(asset)	27.60	*50.52*	56.67	*46.36*	151.35	*118.56*	9.60 #	*0.75 #*

b) The amounts recognised in Profit and Loss Account are as follows: *Rs. crore*

	Particulars	Gratuity Plan		Post-retirement Medical Benefit Plan		Company Pension Plan		Trust-Managed Provident Fund Plan	
		2007-2008	*2006-2007*	2007-2008	*2006-2007*	2007-2008	*2006-2007*	2007-2008	*2006-2007*
1	Current Service Cost	14.16	*11.91*	2.70	*See note below $*	3.51	*3.59*	41.65**	*32.88***
2	Interest Cost	16.66	*12.41*	3.95	*See note below $*	10.07	*8.18*	69.78	*64.60*
3	Expected (Return) on Plan Assets	(11.35)	*(11.08)*	-	-	-	-	(71.01)	*(62.71)+*
4	Actuarial losses/(gains)	7.88	*20.56*	0.41	-	21.65	*2.40*	11.64	*(5.16)+*
5	Past Service Cost	-	-	5.38	-	0.11	-	-	-
6	Effect of any curtailment or settlement	-	-	-	-	-	-	-	-
7	Actuarial gain/(loss) not recognised in books	-	-	-	-	-	-	(10.41)	*3.27+*
8	Adjustment for Earlier Years	-	*16.99*	-	-	-	*25.12*	-	-
	Total included in "Staff Expenses" (1 to 8)	27.35	*50.79*	12.44	*46.36*	35.34	*39.29*	41.65	*32.88*
	Actual Return on Plan Assets	17.60	*8.17*	-	-	-	-	59.37	*67.87*

Notes forming part of Accounts (contd.)

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

Rs.crore

Particulars	Gratuity Plan		Post-retirement Medical Benefit Plan		Company Pension Plan		Trust-Managed Provident Fund Plan	
	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*
Opening balance of the present value of Defined Benefit Obligation	203.45	*173.24*	46.36	-	119.76	*106.69*	827.24	*757.87*
Add: Current Service Cost	14.16	*11.91*	2.70	*46.36 $*	3.51	*3.59*	-	-
Add: Interest Cost	16.66	*12.41*	3.96	*See Note below $*	10.07	*8.18*	69.78	*64.60*
Add: Contribution by plan participants								
i) Employer	-	-	-	-	-	-	41.65**	*32.88***
ii) Employee	-	-	-	-	-	-	83.77	*69.10*
iii) Transfer-in	0.15 ~	-	-	-	-	-	-	-
Add/(less): Actuarial losses/(gains)	14.13	*17.64*	0.41	-	21.64	*2.40*	-	-
Less: Benefits paid	(17.53) #	*(12.27)*	(2.14)	-	(2.54)	*(2.30)*	(118.69)	*(97.21)*
Add: Past service cost	-	-	6.95	-	-	*1.20*	-	-
Add: Liabilities assumed in an amalgamation	-	*0.52*	-	-	-	-	-	-
Closing balance of the present value of Defined Benefit Obligation	231.02	*203.45*	58.24	*46.36*	152.44	*119.76*	903.75	*827.24*

d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

Rs.crore

Particulars	Gratuity Plan		Trust-Managed Provident Fund Plan	
	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*
Opening balance of the fair value of the plan assets	152.93	*147.77*	839.86	*768.86*
Add: Expected Return on Plan Assets	11.35	*11.08*	71.01	*62.71*
Add/(less): Actuarial gains/(losses)	6.25	*(2.91)*	(11.64)	*5.16*
Add: Contribution by the employer	50.27	*9.26*	44.59	*32.19*
Add: Contribution by plan participants	0.15 ~	-	79.16	*68.15*
Less: Benefits paid	(17.53)##	*(12.27)*	(118.69)	*(97.21)*
Add: Business combinations	-	-	-	-
Less: Settlements	-	-	-	-
Closing balance of the Plan Assets	203.42	*152.93*	904.29	*839.86*

Note: The fair value of the plan assets under the Trust Managed Provident Fund plan has been determined at amounts based on their value at the time of redemption, assuming a constant rate of return to maturity.

The Company expects to fund Rs.27.15 crore (*previous year Rs.49.62 crore*) towards its Gratuity Plan and Rs.44.15 crore (*previous year Rs.34.85 crore*) towards its Trust-managed Provident Fund Plan during the year 2008-2009.

@ Asset is not recognised in the Balance Sheet.

Employer's and employees' contribution (net) for March is paid in April.

$ Pursuant to change in accounting policy in conformity with AS 15, the liability for post-retirement medical benefits has been determined on actuarial basis during 2006-2007 and the amounts for current service cost and interest cost were not determined separately.

** Employer's contribution to Provident Fund.

+ The actual return on plan assets is higher than interest cost, but no credit has been taken to the Profit and Loss Account.

~ Amounts transferred from other subsidiaries-Rs.0.15 crore.

Benefits paid includes an amount of Rs.0.29 crore transferred to other subsidiaries.

Notes forming part of Accounts (contd.)

e) The major categories of plan assets as a percentage of total plan assets are as follows:

Particulars	Gratuity Plan		Trust-Managed Provident Fund Plan	
	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*
Government of India Securities	39%	*34%*	22%	*20%*
State Government Securities	-	-	13%	*13%*
Corporate Bonds	38%	*36%*	5%	*5%*
Equity Shares of Listed Companies	1%	*1%*	-	-
Fixed Deposits under Special Deposit Scheme framed by Central Government for Provident Funds	16%	*22%*	30%	*33%*
Insurer Managed Funds	2%	*3%*	-	-
Public Sector Unit Bonds	-	-	30%	*29%*
Others	4%	*4%*	-	-

Basis used to determine the overall expected return:

The Trust formed by the Company manages the investments of Provident Fund and Gratuity Fund. Expected rate of return on investments is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year. Yield on the portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities.

f) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	As at 31-3-2008	*As at 31-3-2007*
1 Discount Rate		
a) Gratuity Plan	8.33%	*8.23%*
b) Company Pension Plan	8.35%	*8.24%*
c) Post-Retirement Medical Benefit Plan	8.39%	*8.26%*
2 Expected return on plan assets	7.50%	*7.50%*
3 Annual increase in healthcare costs (see note below)	5.00%	*5.00%*
4 Salary Growth rate:		
a) Gratuity Plan	6.00%	*6.00%*
b) Company Pension Plan	7.00%	*7.00%*

5 Attrition Rate:

a) For Post-Retirement Medical Benefit Plan and Company Pension Plan, the attrition rate varies from 2% to 8% *(previous year 2% to 8%)* for various age groups.

b) For Gratuity Plan the attrition rate varies from 1% to 7% *(previous year 1% to 7%)* for various age groups.

6 The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

7 The interest payment obligation of Trust-Managed Provident Fund is assumed to be adequately covered by the interest income on long term investments of the fund. Any shortfall in the interest income over the interest obligation is recognised immediately in the Profit and Loss Account as Actuarial losses.

8 The obligation of the company under the post-retirement medical benefit plan is limited to the overall ceiling limits. At present, healthcare cost, as indicated in the principal actuarial assumption given above, has been assumed to increase at 5% p.a.

9 A one percentage point change in assumed healthcare cost trend rates would have the following effects on the aggregate of the service cost and interest cost and defined benefit obligation:

Rs.crore

Particulars	Effect of 1% increase		Effect of 1% decrease	
	2007-2008	*2006-2007*	2007-2008	*2006-2007*
Effect on the aggregate of the service cost and interest cost	0.60	*0.67*	(0.99)	*(0.54)*
Effect on defined benefit obligation	4.00	*3.05*	(3.30)	*(2.50)*

Notes forming part of Accounts (contd.)

g) The amounts pertaining to defined benefit plans are as follows:

Rs.crore

	Particulars	As at 31-3-2008	*As at 31-3-2007*
1	Post-Retirement Medical Benefit Plan (Unfunded)		
	Defined Benefit Obligation	56.67	*46.36*
2	Gratuity Plan (Funded/Unfunded)		
	Defined Benefit Obligation	231.02	*203.45*
	Plan Assets	203.42	*152.93*
	Surplus/(deficit)	(27.60)	*(50.52)*
	Experience Adjustment Plan Liabilities	16.44	*25.84*
	Experience Adjustment Plan Assets	(2.92)	*6.59*
3	Post-Retirement Pension Plan (Unfunded)		
	Defined Benefit Obligation	151.35	*118.56*
4	Trust managed Provident Fund Plan (Funded)		
	Defined Benefit Obligation	898.45	*827.24*
	Plan Assets	898.99	*839.86*
	Surplus/(deficit)	0.54	*12.62*

h) *General descriptions of defined benefit plans:*

1. Gratuity Plan:

   The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service or retirement whichever is earlier. The benefit vests after five years of continuous service. The company's scheme is more favorable as compared to the obligation under Payment of Gratuity Act, 1972.

2. Post-retirement Medical Benefit Plan:

   The Post-retirement Medical Benefit plan provides for reimbursement of health care costs to certain categories of employees post their retirement. The reimbursement is subject to an overall ceiling sanctioned based on cadre of the employee at the time of retirement.

3. Company Pension Plan:

   In addition to contribution to State-Managed Pension Plan (EPS scheme), the Company operates a post retirement pension scheme, which is discretionary in nature for certain cadres of employees. The quantum of pension depends on the cadre of the employee at the time of retirement.

4. Trust Managed Provident Fund Plan:

   The Company manages provident fund plan through a Provident Fund Trust for its employees which is permitted under the Provident Fund and Miscellaneous Provisions Act, 1952. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by the Provident Fund Authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service.

11. Uncalled liability on partly paid shares is Rs.82.63 crore net of advance paid against equity commitment *(previous year: Rs.102.88 crore).*

12 Disclosures in respect of Joint Ventures

a) List of Joint Ventures:

Sr. No.	Name of Joint Venture	Description of interest/ (Description of job)	Proportion of Ownership Interest	Country of	
				Incorporation	Residence
1	L&T-Demag Plastics Machinery Limited	Incorporated Jointly Controlled Entity (Manufacture of Plastics Machinery)	0.50	India	India
2	L&T-Hochtief Seabird Joint Venture	Integrated Joint Venture (Construction of breakwater at Karwar)	0.90	#	India
3	International Metro Civil Contractors	Integrated Joint Venture (Construction of Delhi Metro Corridor Phase I Tunnel Project)	0.26	#	India
4	HCC-L&T Purulia Joint Venture	Integrated Joint Venture (Construction of Pumped Storage Project)	0.43	#	India
5	Desbuild-L&T Joint Venture	Integrated Joint Venture (Renovation of US Consulate, Chennai)	0.49	#	India

Notes forming part of Accounts (contd.)

a) List of Joint Ventures: *(Contd.)*

Sr. No.	Name of Joint Venture	Description of interest/ (Description of job)	Proportion of Ownership Interest	Country of Incorporation	Country of Residence
6	Bauer-L&T Diaphragm Wall Joint Venture	Integrated Joint Venture (Construction of Diaphragm Wall for International Metro Civil Contractors)	0.50	#	India
7	Larsen & Toubro Ltd-Shapoorji Pallonji & Co. Limited Joint Venture (Ebene Cybercity)	Integrated Joint Venture (Execution of Civil & associated works for Ebene Cybercity Project, Mauritius)	0.50	#	Mauritius
8	Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Les Pailles Exhibition Centre)	Integrated Joint Venture (Execution of Civil & associated works for Les Pailles Exhibition Centre, Mauritius)	0.50	#	Mauritius
9	L&T-AM Tapovan Joint Venture	Integrated Joint Venture (Construction of Head Race Tunnel for Tapovan Vishnugad Hydro Electric project at Chamoli, Uttaranchal)	0.65	#	India
10	L&T-Shanghai Urban Corporation Group Joint Venture	Jointly Controlled Entity (Construction of Twin Tunnel between IGI Airport and Sector 21 for DMRC)	0.51	#	India
11	L&T-Eastern Joint Venture	Jointly Controlled Entity (Construction and maintenance of 295 residential units at Dubai)	0.65	#	UAE
12	Metro Tunnelling Group	Integrated Joint Venture (Construction of Delhi Metro Corridor- Phase II Tunnel Project)	0.26	#	India
13	L&T-KBL (UJV) Hyderabad	Jointly Controlled Operation (Investigation, Design, Supply and Erection for lift irrigation system)	-	#	India
14	L &T-HCC Joint Venture	Jointly Controlled Operation (Four laning and strengthening of existing two lane sections from 240 Km to 320 Km on NH2)	-	#	India
15	Patel-L&T Consortium	Jointly Controlled Operation (Hydro Electric Project)	-	#	India
16	*Consortium of Samsung Heavy Industries Co. Ltd., Korea and L&T*	*Jointly Controlled Operation (Execution of Vasai East Development project of ONGC Ltd.)*	-	#	India
17	Consortium of Global Industries Offshore LLC, USA and L&T	Jointly Controlled Operation (Execution of Pipeline Replacement project of ONGC Ltd.)	-	#	India
18	Lurgi L&T KQKS Consortium.	Jointly Controlled Operation (Execution of Melaka Group 3 Lubricant Base Oil Plant for Petronas)	-	#	Malaysia
19	Consortium of Toyo Engineering Company & L&T	Jointly Controlled Operation (Execution of Naptha Cracker Associated Unit for IOCL, Panipat)	-	#	India

Country of Incorporation not applicable as these are Unincorporated Joint Ventures.

b) Financial interest in Jointly Controlled Entities: *Rs.crore*

Sr. No.	Name of the Joint Venture	Company's share of Assets	Liabilities	Income	Expenses	Tax
		As at 31-3-2008		For the year 2007-2008		
1	L&T-Valdel Engineering Limited	- *(8.51)*	- *(5.78)*	4.74 *(12.54)*	3.47 *(10.18)*	0.23 *(0.32)*
2	L&T-Demag Plastics Machinery Limited	51.87 *(60.19)*	46.94 *(48.56)*	52.02 *(70.08)*	61.35 *(67.52)*	-0.83 *(0.94)*
3	L&T-Hochtief Seabird Joint Venture	9.08 *(50.70)*	0.40 *(46.49)*	- *(0.56)*	0.05 *(0.03)*	- *(0.18)*
4	International Metro Civil Contractors	11.51 *(14.04)*	4.01 *(7.11)*	1.41 *(14.71)*	1.15 *(9.35)*	0.09 *(0.61)*
5	HCC-L&T Purulia Joint Venture	7.22 *(15.21)*	4.61 *(6.43)*	0.93 *(12.76)*	5.17 *(10.99)*	-0.60 *(0.61)*

Notes forming part of Accounts (contd.)

b) Financial interest in Jointly Controlled Entities: *(Contd.)*

Rs.crore

Sr. No.	Name of the Joint Venture	Company's share of				
		Assets	Liabilities	Income	Expenses	Tax
		As at 31-3-2008		For the year 2007-2008		
6	Desbuild-L&T Joint Venture	0.07 *(0.35)*	-@ *(0.28)*	- *(-)*	-$ -#	- -+
7	Bauer-L&T Diaphragm Wall Joint Venture	0.08 *(0.33)*	-^ *(0.10)*	0.01 -**	0.01 *(0.02)*	-* *(-)*
8	Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Ebene Cybercity)	3.92 *(3.83)*	3.91 *(4.00)*	0.31 *(0.40)*	- *(0.18)*	0.10 *(0.08)*
9	Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Les Pailles Exhibition Centre)	2.04 *(2.07)*	1.68 *(1.78)*	0.19 *(0.03)*	- *(0.02)*	0.06 -##
10	L&T-AM Tapovan Joint Venture	57.55 *(6.44)*	6.84 *(0.97)*	25.39 *(1.15)*	24.85 *(1.15)*	0.23 *(-)*
11	Metro Tunnelling Group	29.74 *(14.46)*	26.30 *(12.53)*	39.34 *(0.51)*	38.95 *(0.48)*	0.16 *(0.01)*
12	L&T-Eastern Joint Venture	81.10 *(-)*	78.87 *(-)*	9.95 *(-)*	9.64 *(-)*	0.11 *(-)*
13	L&T-Shanghai Urban Corporation Group Joint Venture	15.19 *(-)*	15.03 *(-)*	0.77 *(-)*	0.73 *(-)*	0.01 *(-)*
	Total	269.37 *(176.13)*	188.59 *(134.03)*	135.06 *(112.74)*	145.37 *(99.92)*	-0.44 *(2.75)*
	Share of Net Assets/Profit after tax in Jointly Controlled Entities	**80.78** ***(42.10)***		**-9.87** ***(10.07)***		

Current year: @Rs.8258, $Rs.27540, ^Rs.43259, *Rs.10226; *Previous year: #(Rs.45743), +(Rs.10327), **(Rs.475), ##(Rs.27745)*

Notes: i. Figures in brackets relate to previous year.

ii. Item Nos.3 to 13 above are Integrated Joint Ventures

c) Figures for the year in respect of L&T-Valdel Engineering Limited relate to the period upto July 3, 2007, from which date it has become a subsidiary of the Company

d) Contingent liabilities, if any, incurred in relation to interests in Joint Ventures as at March 31, 2008: Rs.Nil *(previous year: Rs.Nil)*; and share in contingent liabilities incurred jointly with other ventures as at March 31, 2008: Rs.Nil *(previous year: Rs.Nil)*

e) Share in Contingent Liabilities of Joint Ventures themselves for which the Company is contingently liable as on March 31, 2008: Rs.45.21 crore *(previous year: Rs.68.75 crore)*

f) Contingent liabilities in respect of liabilities of other ventures of Joint Ventures as at March 31, 2008: Rs.Nil *(previous year: Rs.Nil)*

g) Capital commitments, if any, in relation to interests in Joint Ventures as at March 31, 2008: Rs.Nil *(previous year: Rs.0.19 crore)*

13. Advances recoverable in cash or in kind includes:

a) an interest-free loan of Rs.200 crore *(previous year: Rs.225 crore)* to L&T Employees Welfare Foundation Trust to part-finance its acquisition of equity shares in the company held by Grasim Industries Limited and its subsidiary. The loan is repayable in 9 years commencing from May 2005 with a minimum repayment of Rs.25 crore in a year.

b) Rs.43.33 crore, being portfolio of financial assets (comprising lease/hire purchase receivables and term loans) purchased from L&T Finance Limited, a wholly owned subsidiary of the Company. The income from the portfolio is accounted as and when the cash flows are realised, by using the implicit rate of discount at which the portfolio was acquired.

14. Particulars in respect of Loans and Advances in the nature of loans as required by the Listing Agreement:

Rs.crore

Name of the Company/Firm/Director	Balance as at		Maximum outstanding during	
	31-3-2008	*31-3-2007*	2007-2008	*2006-2007*
(A) Loans and advances in the nature of Loans given to Subsidiaries:				
1 Larsen & Toubro Infotech Limited	-	-	-	*5.50*
2 India Infrastructure Developers Limited	-	*36.33*	36.33	*36.33*
3 Bhilai Power Supply Company Limited	7.19	*4.81*	7.19	*85.49*
4 Tractor Engineers Limited	5.32	-	5.32	-
5 L&T Finance Limited	-	*85.31*	800.00	*85.31*
6 International Seaport Dredging Limited	10.97	*10.00*	10.97	*10.00*
7 L&T Capital Company Limited	75.00	-	75.00	-
Total	98.48	*136.45*		

Notes forming part of Accounts (contd.)

14. Particulars in respect of Loans and Advances in the nature of loans as required by the Listing Agreement: *(Contd.)*

Rs.crore

Name of the Company/Firm/Director	Balance as at		Maximum outstanding during	
	31-3-2008	*31-3-2007*	2007-2008	*2006-2007*
(B) Loans and advances in the nature of loans given to Associates:				
1 L&T-Case Equipment Private Limited	10.00	*10.00*	15.00	*10.00*
Total	10.00	*10.00*		
(C) Loans and advances in the nature of loans where *repayment schedule is not specified / is beyond 7 years:*				
1 India Infrastructure Developers Limited	-	*36.33*	36.33	*36.33*
2 Bhilai Power Supply Company Limited	7.19	*4.81*	7.19	*85.49*
3 L&T Capital Company Limited	75.00	-	75.00	-
Total	82.19	*41.14*		
(D) Loans and advances in the nature of loans where interest is not charged or charged below bank rate:				
1 India Infrastructure Developers Limited	-	*36.33*	36.33	*36.33*
2 Bhilai Power Supply Company Limited	7.19	*4.81*	7.19	*85.49*
3 L&T Capital Company Limited	75.00	-	75.00	-
Total	82.19	*41.14*		

Note: Loans to employees (including Directors) under various schemes of the Company (such as housing loan, furniture loan, education loan, etc) have been considered to be outside the purview of disclosure requirements.

15. Segment Reporting:

a) Information about Business Segments (Information provided in respect of revenue items for the year ended March 31, 2008 and in respect of assets/liabilities as at March 31, 2008-denoted as "CY" below, previous year denoted as "*PY*")

i) Primary Segments (Business Segments):

Rs.crore

Particulars	Engineering & Construction		Electrical & Electronics		Machinery & Industrial Products		Others		Elimination		Total	
	CY	*PY*	CY	*PY*	CY	*PY*	CY	*PY*	CY	*PY*	CY	*PY*
Revenue-including excise duty												
External	19065.49	*13276.42*	2585.62	*1983.27*	2381.21	*1832.77*	1178.31	*845.83*	-	-	25210.63	*17938.29*
Inter-Segment	311.05	*148.66*	77.30	*83.81*	29.70	*10.23*	128.94	*97.82*	(546.99)	*(340.52)*	-	-
Total Revenue	19376.54	*13425.08*	2662.92	*2067.08*	2410.91	*1843.00*	1307.25	*943.65*	(546.99)	*(340.52)*	25210.63	*17938.29*
Result												
Segment Result	2332.81	*1407.57*	398.73	*307.60*	431.01	*313.14*	98.29	*73.23*	-	-	3260.84	*2101.54*
Less: Inter-Segment margins on capital jobs											55.04	*13.42*
											3205.80	*2088.12*
Unallocated Corporate income/ (expenditure) (net)											(12.15)	*(49.30)*
Operating Profit (PBIT)											3193.65	*2038.82*
Interest expense											(122.66)	*(92.99)*
Interest income											84.48	*59.06*
Profit before tax (PBT)											3155.47	*2004.89*
Provision for current tax											892.79	*612.32*
Provision for deferred tax											19.95	*(25.63)*
Provision for fringe benefit tax											69.31	*15.18*
Profit after tax											2173.42	*1403.02*

Notes forming part of Accounts (contd.)

i) Primary Segments (Business Segments): *(contd.)*

Rs.crore

Particulars	Engineering & Construction		Electrical & Electronics		Machinery & Industrial Products		Others		Elimination		Total	
	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY
Other information:												
Segment assets	13934.89	9818.69	1639.75	1226.34	1071.81	805.24	573.87	419.72	-	-	17220.32	12269.99
Unallocable corporate assets											9846.92	5137.50
Total assets											27067.24	17407.49
Segment liabilities	9827.68	6932.14	625.62	516.43	633.30	493.11	237.77	225.68	-	-	11324.37	8167.36
Unallocable corporate liabilities											6187.79	3471.70
Total liabilities											17512.16	11639.06
Capital expenditure	1181.64	673.88	196.09	89.40	76.01	15.27	60.76	21.08				
Depreciation (including obsolescence, amortisation and impairment) included in segment expense	140.71	108.82	22.97	21.06	10.47	9.83	15.01	13.64				
Non-cash expenses other than Depreciation included in segment expense	48.16	36.84	6.79	6.70	4.71	7.72	5.95	4.07				

ii) Secondary Segments (Geographical segments):

Rs.crore

Particulars	Domestic		Overseas		Total	
	CY	PY	CY	PY	CY	PY
External Revenue by location of customers	21063.10	14791.22	4147.53	3147.07	25210.63	17938.29
Carrying amount of Segment Assets by location of assets	15623.88	10677.39	1596.44	1592.60	17220.32	12269.99
Cost incurred on acquisition of tangible and intangible fixed assets	1511.66	798.90	2.84	0.73	1514.50	799.63

b) Segment Reporting - Segment Identification, Reportable Segments and definition of each reportable segment:

i) Primary/Secondary Segment Reporting Format:

(a) The risk-return profile of the Company's business is determined predominantly by the nature of its products and services. Accordingly, the business segments constitute the primary segments for disclosure of segment information.

(b) In respect of secondary segment information, the Company has identified its geographical segments as (i) Domestic and (ii) Overseas. The secondary segment information has been disclosed accordingly.

ii) Segment Identification:

Business segments have been identified on the basis of the nature of products/services, the risk-return profile of individual businesses, the organisational structure and the internal reporting system of the Company.

iii) Reportable Segments:

Reportable segments have been identified as per the criteria prescribed in Accounting Standard (AS) 17 "Segment Reporting" as specified in the Companies (Accounting Standards) Rules, 2006.

iv) Segment Composition:

- **Engineering & Construction Segment** comprises execution of Engineering and Construction projects in India/abroad to provide solutions in civil, mechanical, electrical and instrumentation engineering (on turnkey basis or otherwise) to core sectors/ infrastructure industries, shipbuilding and supply of complex plant and equipment to core sectors. The segment capabilities include basic/detailed engineering, equipment fabrication/supply, erection & commissioning, procurement/construction and project management.
- **Electrical & Electronics Segment** comprises manufacture and sale of low voltage switchgear and control gear, custom-built switchboards, petroleum dispensing pumps & systems, electronic energy meters/protection (relays) systems, control & automation products and medical equipment.
- **Machinery & Industrial Products Segment** comprises manufacture and sale of industrial machinery & equipment, marketing of industrial valves, construction equipment and welding/industrial products.
- **Others** include (a) ready mix concrete (b) property development activity and (c) e-engineering services & embedded systems.

Notes forming part of Accounts (contd.)

16. Disclosure of related parties/related party transactions:

i. List of related parties over which control exists

Sr. No.	Name of the Related Party	Relationship
1	Tractor Engineers Limited	Wholly Owned Subsidiary
2	L&T Finance Limited	Wholly Owned Subsidiary
3	L&T Capital Company Limited	Subsidiary of L&T Finance Limited#
4	Larsen & Toubro Infotech Limited	Wholly Owned Subsidiary
5	Larsen & Toubro Infotech GmbH	Wholly Owned Subsidiary of Larsen & Toubro Infotech Limited
6	L&T Transportation Infrastructure Limited	Subsidiary of L&T Infrastructure Development Projects Limited#
7	HPL Cogeneration Limited	Subsidiary* [up to 29-03-2008]
8	Narmada Infrastructure Construction Enterprise Limited	Subsidiary of L&T Infrastructure Development Projects Limited#
9	L&T Western India Tollbridge Limited	Subsidiary of L&T Infrastructure Development Projects Limited#
10	India Infrastructure Developers Limited	Wholly Owned Subsidiary
11	Larsen & Toubro LLC	Subsidiary*
12	Larsen & Toubro International FZE	Wholly Owned Subsidiary
13	L&T Infrastructure Development Projects Limited	Subsidiary*
14	L&T Infocity Limited	Subsidiary of L&T Urban Infrastructure Limited#
15	Hyderabad International Trade Expositions Limited	Subsidiary of L&T Infocity Limited#
16	Andhra Pradesh Expositions Private Limited	Wholly Owned Subsidiary of Hyderabad International Trade Expositions Limited
17	L&T-ECC Construction (M) SDN. BHD.	Subsidiary of Larsen & Toubro International FZE##
18	Bhilai Power Supply Company Limited	Subsidiary*
19	Larsen & Toubro (Oman) LLC	Subsidiary of Larsen & Toubro International FZE#
20	Raykal Aluminum Company Private Limited	Subsidiary of India Infrastructure Developers Limited#
21	Cyber Park Development & Construction Limited	Subsidiary of L&T Infrastructure Development Projects Limited#
22	L&T-Sargent & Lundy Limited	Subsidiary*
23	Larsen & Toubro Qatar LLC	Subsidiary of Larsen & Toubro International FZE##
24	L&T Overseas Projects Nigeria Limited	Subsidiary of Larsen & Toubro International FZE#
25	L&T Infocity Infrastructure Limited	Subsidiary of L&T Infocity Limited#
26	Larsen & Toubro Electromech LLC	Subsidiary of Larsen & Toubro International FZE#
27	L&T Infocity Lanka Private Limited	Subsidiary of L&T Infocity Limited#
28	Larsen & Toubro (Wuxi) Electric Company Limited	Wholly Owned Subsidiary of Larsen & Toubro International FZE
29	International Seaports Pte. Limited	Wholly Owned Subsidiary
30	International Seaports (India) Private Limited	Wholly Owned Subsidiary of L&T Infrastructure Development Projects Limited
31	L&T Panipat Elevated Corridor Private Limited	Wholly Owned Subsidiary of L&T Infrastructure Development Projects Limited
32	L&T Tech Park Limited	Subsidiary of L&T Infrastructure Development Projects Limited#
33	L&T Krishnagiri Thopur Toll Road Limited	Wholly Owned Subsidiary of L&T Infrastructure Development Projects Limited
34	L&T Western Andhra Tollways Limited	Wholly Owned Subsidiary of L&T Infrastructure Development Projects Limited
35	L&T Vadodara Bharuch Tollway Limited	Wholly Owned Subsidiary of L&T Infrastructure Development Projects Limited
36	L&T Interstate Road Corridor Limited	Wholly Owned Subsidiary of L&T Infrastructure Development Projects Limited
37	Spectrum Infotech Private Limited	Wholly Owned Subsidiary
38	L&T Urban Infrastructure Limited	Subsidiary of L&T Infrastructure Development Projects Limited#
39	Larsen & Toubro Information Technology Canada Limited	Wholly Owned Subsidiary of Larsen & Toubro Infotech Limited
40	L&T Infrastructure Finance Company Limited	Wholly Owned Subsidiary
41	L&T Power Projects Limited	Wholly Owned Subsidiary
42	International Seaport Dredging Limited	Subsidiary*

Notes forming part of Accounts (contd.)

Sr. No.	Name of the Related Party	Relationship
43	L&T Modular Fabrication Yard LLC	Subsidiary of Larsen & Toubro International FZE#
44	Larsen & Toubro Saudi Arabia LLC	Subsidiary of Larsen & Toubro International FZE#
45	Larsen & Toubro Readymix Concrete Industries LLC	Subsidiary of Larsen & Toubro International FZE##
46	L&T Infrastructure Development Projects Lanka (Private) Limited	Subsidiary of L&T Infrastructure Development Projects Limited#
47	L&T Electricals Saudi Arabia Company Limited	Subsidiary of Larsen & Toubro International FZE#
48	Larsen & Toubro Kuwait Construction General Contracting Company WLL	Subsidiary of Larsen & Toubro International FZE##
49	Larsen & Toubro (Qingdao) Rubber Machinery Company Limited	Subsidiary of Larsen & Toubro International FZE#
50	Larsen & Toubro (Jiangsu) Valve Company Limited	Subsidiary of Larsen & Toubro International FZE#
51	L&T-MHI Boilers Private Limited	Subsidiary of L&T Power Projects Limited#
52	L&T Uttaranchal Hydropower Limited	Wholly Owned Subsidiary of India Infrastructure Developers Limited
53	L&T Bangalore Airport Hotel Limited	Wholly Owned Subsidiary of L&T Urban Infrastructure Limited
54	L&T-MHI Turbine Generators Private Limited	Wholly Owned Subsidiary of L&T Power Projects Limited#
55	L&T Vision Ventures Limited	Subsidiary of L&T Urban Infrastructure Limited#
56	L&T Phoenix Info Parks Private Limited	Subsidiary of L&T Urban Infrastructure Limited#
57	L&T South City Projects Limited	Subsidiary of L&T Urban Infrastructure Limited#
58	GDA Technologies Inc.	Wholly Owned Subsidiary of Larsen & Toubro Infotech Limited
59	GDA Systems Private Limited	Wholly Owned Subsidiary of GDA Technologies Limited
60	GDA Technologies Limited	Wholly Owned Subsidiary of GDA Technologies Inc.
61	CSJ Infrastructure Private Limited	Subsidiary of L&T Urban Infrastructure Limited#
62	L&T Hitech City Limited	Subsidiary of L&T Infocity Limited#
63	L&T-Valdel Engineering Limited	Subsidiary*
64	Arun Excello Infrastructure Private Limited	Subsidiary of L&T Urban Infrastructure Limited#
65	L&T Power Development Limited	Wholly owned subsidiary
66	L&T Shipbuilding Limited	Wholly owned subsidiary
67	L&T Infra & Property Development Private Limited	Wholly owned subsidiary
68	L&T Realty Private Limited	Wholly owned subsidiary
69	L&T Concrete Private Limited	Wholly owned subsidiary
70	L&T Strategic Management Limited	Wholly owned subsidiary
71	L&T General Insurance Company Limited	Wholly owned subsidiary of L&T Finance Limited
72	L&T Gulf Private Limited	Subsidiary*
73	L&T Transco Private Limited	Wholly owned subsidiary
74	Hi Tech Rock Products & Aggregates Limited	Wholly owned subsidiary
75	L&T-Arun Excello Commercial Projects Private Limited	Subsidiary of L&T Urban Infrastructure Limited#
76	Offshore International FZC	Subsidiary of Larsen & Toubro International FZE#
77	Qingdao Larsen & Toubro Trading Company Limited	Wholly Owned Subsidiary of Larsen & Toubro (Qingdao) Rubber Machinery Company Limited
78	Larsen & Toubro Atco Saudia LLC	Subsidiary of Larsen & Toubro International FZE##
79	L&T Realty FZE	Wholly Owned Subsidiary of L&T Realty Private Limited
80	L&T Seawoods Private Limited	Wholly owned subsidiary
81	L&T Chennai-Tada Tollway Private Limited	Wholly Owned Subsidiary of L&T Transco Private Limited
82	L&T Siruseri Property Developers Limited	Wholly Owned Subsidiary of L&T South City Projects Limited#

* The Company holds more than one-half in nominal value of the equity share capital

** The Company controls the composition of the Board of Directors

\# The Company, together with its subsidiaries, holds more than one-half in nominal value of the equity share capital

\#\# The Company, together with its subsidiaries controls the composition of the Board of Directors

Notes forming part of Accounts (contd.)

ii. Names of the Related Parties with whom transactions were carried out during the year and description of relationship:

Subsidiary Companies:

1	Cyber Park Development & Construction Limited	2	HPL Cogeneration Limited
3	Larsen & Toubro (Wuxi) Electric Company Limited	4	India Infrastructure Developers Limited
5	L&T Capital Company Limited	6	L&T-Sargent & Lundy Limited
7	L&T Finance Limited	8	L&T-ECC Construction (M) SDN. BHD.
9	L&T Infrastructure Development Projects Limited	10	L&T Infocity Limited
11	L&T Krishnagiri Thopur Toll Road Limited	12	L&T Interstate Road Corridor Limited
13	L&T Panipat Elevated Corridor Private Limited	14	L&T Overseas Projects Nigeria Limited
15	L&T Tech Park Limited	16	L&T Transportation Infrastructure Limited
17	L&T Urban Infrastructure Limited	18	L&T Vadodara Bharuch Tollway Limited
19	L&T Western Andhra Tollways Limited	20	L&T Western India Tollbridge Limited
21	Larsen & Toubro (Oman) LLC	22	Larsen & Toubro Infotech GmbH
23	Larsen & Toubro Information Technology Canada Limited	24	Larsen & Toubro International FZE
25	Larsen & Toubro Infotech Limited	26	Raykal Aluminum Company Private Limited
27	Narmada Infrastructure Construction Enterprise Limited	28	Tractor Engineers Limited
29	Larsen & Toubro Saudi Arabia LLC	30	L&T Southcity Projects Limited
31	L&T Modular Fabrication Yard LLC, Oman	32	L&T (Quingdao) Rubber Machinery Company Limited
33	L&T Electricals Saudi Arabia Company Limited	34	L&T Infrastructure Finance Company Limited
35	L&T Uttaranchal Hydropower Limited	36	L&T Power Projects Limited
37	International Seaport Dredging Limited	38	Bhilai Power Supply Company Limited
39	L&T Bangalore Airport Hotel Limited	40	L&T Phoenix Info Parks Private Limited
41	Spectrum Infotech Private Limited	42	Larsen & Toubro Electromech LLC
43	Larsen & Toubro Qatar LLC	44	L&T Infocity Lanka Private Limited
45	Larsen & Toubro LLC	46	Hyderabad International Trade Expositions Limited
47	L&T-Valdel Engineering Limited	48	L&T-MHI Boilers Private Limited
49	Offshore International FZC	50	Larsen & Toubro Readymix Concrete Industries LLC
51	L&T Infrastructure Development Projects Lanka (Private) Limited	52	Larsen & Toubro (Jiangsu) Valve Company Limited
53	Qingdao Larsen & Toubro Trading Company Limited	54	CSJ Infrastructure Private Limited
55	L&T Hitech City Limited	56	L&T Infocity Infrastructure Limited
57	L&T Vision Ventures Limited	58	L&T Gulf Private Limited
59	International Seaports Pte. Limited	60	L&T Concrete Private Limited
61	L&T Strategic Management Limited	62	L&T Power Development Limited
63	L&T Realty Private Limited	64	L&T Shipbuilding Limited
65	L&T Transco Private Limited	66	Hi Tech Rock Products & Aggregates Limited
67	L&T Infra & Property Development Private Limited	68	GDA Technologies Limited
69	Larsen & Toubro Kuwait Construction General Contracting Company WLL	70	Larsen & Toubro Atco Saudia LLC

Associate Companies:

1	Audco India Limited	2	EWAC Alloys Limited
3	L&T-Chiyoda Limited	4	L&T-Komatsu Limited
5	L&T-Ramboll Consulting Engineers Limited	6	L&T-Case Equipment Private Limited
7	Voith Paper Technology (India) Limited	8	International Seaport (Haldia) Private Limited
9	Second Vivekananda Bridge Tollway Company Private Limited	10	L&T-Arun Excello Realty Private Limited
11	NAC Infrastructure Equipment Limited	12	Salzer Cables Limited

Joint Ventures (Other than Associates):

1	International Metro Civil Contractors	2	Bauer-L&T Diaphragm Wall Joint Venture
3	The Dhamra Port Company Limited	4	L&T-Demag Plastics Machinery Limited
5	Metro Tunneling Group	6	L&T-Hochtief Seabird Joint Venture
7	Desbuild-L&T Joint Venture	8	HCC-L&T Purulia Joint Venture
9	Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Les Palles Exhibition Centre)	10	Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Eben Cybercity)
11	L&T-AM Tapovan Joint Venture	12	L&T-Shanghai Urban Corporation Group Joint Venture
13	L&T-Eastern Joint Venture		

Key Management Personnel & their relatives:

1	Mr. A.M. Naik, (Chairman & Managing Director)	2	Mr. J.P. Nayak (Whole-time Director) Mrs. Neeta J. Nayak (Wife)
3	Mr. Y. M. Deosthalee (Whole-time Director) Mrs. Leena Y. Deosthalee (Wife)	4	Mr. K. Venkataramanan (Whole-time Director) Mrs. Jyothi Venkataramanan (Wife)
5	Mr. R. N. Mukhija (Whole-time Director) Mrs. Sushma Mukhija (Wife)	6	Mr. K. V. Rangaswami (Whole-time Director)
7	Mr. V. K. Magapu (Whole-time Director)	8	Mr. M. V. Kotwal (Whole-time Director)

Notes forming part of Accounts (contd.)

iii. Disclosure of related party transactions:

Rs.crore

Sr. No.	Nature of transaction/relationship/major parties	2007-2008 Amount	2007-2008 Amounts for major parties	2006-2007 Amount	2006-2007 Amounts for major parties
1	Purchase of goods & services (including Commission paid)				
	Subsidiaries, including:	193.88		173.69	
	L&T Finance Limited		69.56		-
	Tractor Engineers Limited		35.48		-
	Associates & Joint Ventures, including:	1061.06		783.96	
	Audco India Limited		821.41		598.11
	Ewac Alloys Limited		138.73		108.94
	Total	1254.94		957.65	
2	Sale of goods/power/contract revenue & services				
	Subsidiaries, including:	1349.59		524.39	
	L&T Infocity Limited		-		113.74
	Larsen & Toubro Infotech Limited		152.32		121.96
	L&T Interstate Road Corridor Limited		154.53		-
	L&T Krishnagiri Thopur Toll Road Limited		178.17		-
	L&T Panipat Elevated Corridor Private Limited		225.48		119.67
	L&T Vadodara Bharuch Tollway Limited		204.30		-
	Associates & Joint Ventures, including:	69.04		215.37	
	Audco India Limited		12.45		-
	L&T-Arun Excello Realty Private Limited		25.28		-
	L&T-Komatsu Limited		11.83		44.22
	Second Vivekananda Bridge Tollway Company Private Limited		16.05		143.44
	Vishakhapatnam Industrial Water Supply Company Limited		-		2.71
	Total	1418.63		739.76	
3	Purchase/Lease of Fixed Assets				
	Subsidiaries, including:	1.11		8.57	
	Tractor Engineers Limited		-		7.76
	India Infrastructure Developers Limited		1.08		-
	Associates & Joint Ventures, including:	20.42		4.83	
	L&T-Case Equipment Private Limited		11.13		-
	L&T-Komatsu Limited		6.86		-
	Ewac Alloys Limited		2.43		4.83
	Total	21.53		13.40	
4	Sale of Fixed Assets				
	Associates & Joint Ventures:	-		-	
	L&T-Case Equipment Private Limited (current year Rs.Nil, previous year: Rs.3745)		-		-
	Total	-		-	
5	Subscription to equity and preference shares (incl. application money paid)				
	Subsidiaries, including:	985.01		806.25	
	L&T Finance Limited		250.00		100.00
	L&T Infrastructure Development Projects Limited		-		233.06
	L&T Infrastructure Finance Company Limited		257.00		243.00
	Larsen & Toubro International FZE		336.39		136.21
	Associates & Joint Ventures, including:	47.94		-	
	L&T-AM Tapovan Joint Venture		45.25		-
	Total	1032.95		806.25	
6	Purchase of Investments				
	Subsidiary	-		52.69	
	L&T Finance Limited		-		52.69
	Total	-		52.69	

Notes forming part of Accounts (contd.)

Rs.crore

Sr. No.	Nature of transaction/relationship/major parties	2007-2008 Amount	2007-2008 Amounts for major parties	2006-2007 Amount	2006-2007 Amounts for major parties
7	Sale of Investments/Buyback of Shares				
	Subsidiaries, including:	-		14.20	
	L&T Infrastructure Development Projects Limited		-		9.00
	Larsen & Toubro International FZE		-		5.20
	Total	-		14.20	
8	Receiving of services/overheads charged by related parties				
	Subsidiaries, including:	14.57		5.98	
	Larsen & Toubro Infotech Limited		10.99		5.83
	Associates & Joint Ventures:	0.13		0.23	
	L&T-Komatsu Limited		0.13		-
	Total	14.70		6.21	
9	Rent paid, including lease rentals under leasing/hire purchase arrangements				
	Subsidiaries, including:	17.62		14.56	
	L&T Finance Limited		17.35		13.97
	Associates & Joint Ventures, including:	0.87		0.86	
	Ewac Alloys Limited		0.33		-
	L&T-Komatsu Limited		0.53		-
	Key Management Personnel	0.13		0.14	
	Relatives of Key Management Personnel	0.11		0.10	
	Total	18.73		15.66	
10	Charges for deputation of employees to related parties				
	Subsidiaries, including:	7.63		8.94	
	L&T Infrastructure Finance Company Limited		1.79		-
	Larsen & Toubro Infotech Limited		4.32		3.56
	L&T Finance Limited		1.00		-
	Larsen & Toubro (Oman) LLC		-		2.54
	Associates & Joint Ventures, including:	0.45		2.24	
	Ewac Alloys Limited		0.07		-
	L&T-Komatsu Limited		0.25		-
	The Dhamra Port Company Limited		0.13		-
	L&T-Case Equipment Private Limited		-		0.69
	HCC-L&T Purulia Joint Venture		-		0.54
	Total	8.08		11.18	
11	Dividend Received				
	Subsidiaries, including:	46.91		41.71	
	HPL Cogeneration Limited		28.45		25.72
	Larsen & Toubro Infotech Limited		15.64		15.01
	Associates & Joint Ventures, including:	11.50		35.22	
	L&T-Komatsu Limited		3.60		18.00
	Ewac Alloys Limited		1.45		9.12
	Audco India Limited		3.60		8.10
	Total	58.41		76.93	
12	Commission received, including those under agency arrangements				
	Subsidiaries, including:	0.84		0.61	
	Larsen & Toubro Infotech Limited		0.27		-
	L&T Finance Limited		0.23		-
	Tractor Engineers Limited		0.33		-
	Associates & Joint Ventures, including:	207.05		140.20	
	L&T-Komatsu Limited		198.52		125.20
	Total	207.89		140.81	

Notes forming part of Accounts (contd.)

Rs.crore

Sr. No.	Nature of transaction/relationship/major parties	2007-2008 Amount	2007-2008 Amounts for major parties	2006-2007 Amount	2006-2007 Amounts for major parties
13	Rent received, Overheads recovered and Miscellaneous income				
	Subsidiaries, including:	113.55		40.94	
	Larsen & Toubro Infotech Limited		47.31		30.99
	Associates & Joint Ventures, including:	24.38		8.87	
	L&T-Case Equipment Private Limited		4.61		1.90
	Audco India Limited		3.63		-
	L&T-Chiyoda Limited		6.92		3.35
	Total	137.93		49.81	
14	Interest Received				
	Subsidiaries, including:	10.09		3.61	
	L&T Finance Limited		-		1.93
	Bhilai Power Supply Company Limited		2.38		0.77
	L&T Infrastructure Development Projects Limited		-		0.63
	Associates & Joint Ventures, including:	-		1.17	
	L&T-Case Equipment Private Limited		-		0.80
	Key Management Personnel	0.03		0.02	
	Total	10.12		4.80	
15	Interest Paid				
	Subsidiaries, including:	6.62		5.01	
	L&T Finance Limited		6.15		3.50
	India Infrastructure Developers Limited		-		0.59
	Associates & Joint Ventures, including:	2.35		1.56	
	Audco India Limited		2.35		1.56
	Total	8.97		6.57	
16	Payment of Salaries/Perquisites				
	Key Management Personnel:	38.02		27.20	
	A.M. Naik		8.39		5.85
	J. P. Nayak		4.31		3.04
	Y.M. Deosthalee		4.83		3.53
	K. Venkataramanan		4.79		3.48
	R.N. Mukhija		4.74		3.44
	K.V. Rangaswami		3.54		2.51
	V.K. Magapu		3.54		2.52
	M.V. Kotwal		3.88		2.83
	Total	38.02		27.20	
17	Shares allotted to Whole time Directors under Employee Stock Option Schemes				
	Key Management Personnel:	-		2.71	
	A.M. Naik		-		0.77
	J. P. Nayak		-		0.46
	Y.M. Deosthalee		-		0.46
	K. Venkataramanan		-		0.46
	R.N. Mukhija		-		0.33
	K.V. Rangaswami		-		0.07
	V.K. Magapu		-		0.09
	M.V. Kotwal		-		0.07
	Total	-		2.71	
18	Amount provided for:				
	Associates & Joint Ventures:	-		0.14	
	Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Ebene Cybercity)		-		0.14
	Total	-		0.14	

"Major parties" denote entities who account for 10% or more of the aggregate for that category of transaction.

Notes forming part of Accounts (contd.)

iv. Amount due to/from related parties

Rs.crore

Sr. No.	Nature of transaction/relationship/major parties	As at 31-3-2008 Amount	As at 31-3-2008 Amounts for major parties	As at 31-3-2007 Amount	As at 31-3-2007 Amounts for major parties
1	Accounts Receivable				
	Subsidiaries, including:	370.69		361.08	
	Larsen & Toubro Infotech Limited		68.64		65.34
	L&T Finance Limited		-		69.29
	Larsen & Toubro Saudi Arabia LLC		-		1.34
	L&T Interstate Road Corridor Limited		74.65		-
	L&T Vadodara Bharuch Tollway Limited		61.47		-
	Associates & Joint Ventures, including:	44.77		48.31	
	L&T-Arun Excello Realty Private Limited		15.12		-
	GVK Jaipur Kishengarh Expressway Private Limited		-		0.92
	Second Vivekanand Bridge Tollway Company Private Limited		27.71		17.90
	Total	415.46		409.39	
2	Accounts Payable				
	Subsidiaries, including:	107.38		226.03	
	Larsen & Toubro Infotech Limited		22.41		23.93
	L&T Finance Limited		54.87		91.70
	Tractor Engineers Limited		11.09		-
	Associates & Joint Ventures, including:	298.78		247.65	
	Audco India Limited		254.61		209.74
	Total	406.16		473.68	
3	Loans & Advances recoverable				
	Subsidiaries, including:	258.50		142.64	
	Bhilai Power Supply Company Limited		-		4.81
	India Infrastructure Developers Limited		-		37.64
	Offshore International FZC		30.11		-
	L&T Capital Company Limited		75.72		-
	L&T Finance Limited		48.38		86.48
	Associates & Joint Ventures, including:	43.69		26.62	
	L&T-Case Equipment Private Limited		12.67		11.27
	L&T-Demag Plastics Machinery Limited		12.05		15.10
	L&T-Valdel Enginnering Limited		-		0.19
	L&T-Chiyoda Limited		5.01		-
	L&T-AM Tapovan Joint Venture		4.67		-
	Key Management Personnel	0.79		0.83	
	Relatives of Key Management Personnel	0.06		0.06	
	Total	303.04		170.15	
4	Advances against equity contribution				
	Subsidiaries, including:	66.35		2.16	
	L&T Infrastructure Finance Company Limited		-		2.00
	Larsen & Toubro International FZE		46.19		-
	L&T Power Development Limited		20.00		-
	Total	66.35		2.16	
5	Unsecured loans				
	Subsidiaries, including:	9.02		6.34	
	India Infrastructure Developers Limited		8.50		-
	Tractor Engineers Limited		-		5.00
	L&T Finance Limited		-		0.85
	Total	9.02		6.34	

Notes forming part of Accounts (contd.)

Rs.crore

Sr. No.	Nature of transaction/relationship/major parties	As at 31-3-2008 Amount	As at 31-3-2008 Amounts for major parties	*As at 31-3-2007 Amount*	*As at 31-3-2007 Amounts for major parties*
6	Advances received in the capacity of supplier of goods/services classified as "Advances from Customers" in the Balance Sheet				
	Subsidiaries, including:	180.32		*180.53*	
	L&T Interstate Road Corridor Limited		26.83		-
	L&T Krishnagiri Thopur Toll Road Limited		18.92		*38.63*
	L&T Western Andhra Tollways Limited		-		*26.87*
	L&T Vadodara Bharuch Tollway Limited		56.50		*73.32*
	L&T Panipat Elevated Corridor Private Limited		-		*20.40*
	L&T Southcity Projects Limited		18.24		-
	Associates & Joint Ventures, including:	8.89		*56.33*	
	Second Vivekananda Bridge Tollway Company Private Limited		1.56		*2.62*
	The Dhamra Port Company Limited		-		*52.45*
	L&T-Arun Excello Realty Private Limited		7.33		-
	Total	189.21		*236.86*	
7	Due to Whole time Directors				
	Key Management Personnel:	21.96		*13.80*	
	A.M. Naik		5.23		*3.28*
	J. P. Nayak		2.62		*1.64*
	Y.M. Deosthalee		2.62		*1.64*
	K. Venkataramanan		2.61		*1.64*
	R.N. Mukhija		2.61		*1.64*
	K.V. Rangaswami		2.09		*1.32*
	V.K. Magapu		2.09		*1.32*
	M.V. Kotwal		2.09		*1.32*
	Total	21.96		*13.80*	

"Major parties" denote entities who account for 10% or more of the aggregate for that category of transaction.

v. Notes to related party transactions:

a) The Company has a sole selling agreement with L&T-Komatsu Limited (LTK), an associate company, valid for the period of 5 years from October 16, 2006 in line with Government of India (GOI) approval letter dated May 28, 2007. The appointment shall be in effect as long as the Joint Venture Agreement between the Parent Company and M/s Komatsu Asia Pacific Pte. Ltd., Singapore (which is a subsidiary of Komatsu Ltd., Japan) remains in force, subject to approval of GOI, under section 294 AA of the Companies Act, 1956. As per the terms of the agreement, the Company is the exclusive agent of L&T-Komatsu Limited to market LTK machines and provide product support. Pursuant to the aforesaid agreement, LTK is required to pay commission to the Company at specified rates on the sales effected by the Company.

b) The Company entered into five year distributorship agreement from April 26, 2002, with AUDCO India Limited (AIL), an associate company. Pursuant to the aforesaid agreement, AIL is required to pay commission to the Company at specified rates on the sales effected by the Company. Further, as per the terms of the agreement, the Company is the non-exclusive distributor of AIL products and is authorised to purchase and resell the same in accordance with the terms stipulated in the agreement. Pending execution of fresh agreement, both AIL and the Company have agreed to continue all the existing arrangements.

c) The Company has renewed the selling agency agreement from October 1, 2003 with Ewac Alloys Limited (EWAC), an associate company. The agreement shall remain valid until either party gives 12 months' prior written notice to the other for termination. As per the terms of the agreement, the Company is the selling agent authorised to purchase and resell EWAC products in accordance with the prices and other conditions stipulated in the agreement.

d) The Company has a selling agency agreement with L&T-Demag Plastics Machinery Limited (LTDPML), a joint venture company, effective January 1, 2001. As per the terms of the agreement, the Company is a selling and servicing agent of LTDPML. Pursuant to the aforesaid agreement, LTDPML is required to pay commission to the Company at specified rates on sales effected by the Company.

Note: The financial impact of the agreements mentioned at (a) to (d) above has been included in/disclosed vide Note 16 (iii) *supra.*

17. Leases:

Where the Company is a Lessee:

a) Finance Leases:

i. [a] Assets acquired on finance lease mainly comprise cars and personal computers. The leases have a primary period, which is fixed and non-cancellable. In the case of cars, the Company has an option to renew the lease for a secondary period. The agreements provide for revision of lease rentals in the event of changes in (a) taxes, if any, leviable on the lease rentals (b) rates of depreciation under the Income Tax Act, 1961 and (c) change in the lessor's cost of borrowings. There are no exceptional/restrictive covenants in the lease agreements.

Notes forming part of Accounts (contd.)

[b] The minimum lease rentals as at March 31, 2008 and the present value as at March 31, 2008 of minimum lease payments in respect of assets acquired under finance leases are as follows:

Rs.crore

Particulars	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*
i. Payable not later than 1 year	0.50	*1.50*	0.43	*1.32*
ii. Payable later than 1 year and not later than 5 years	0.28	*0.71*	0.27	*0.69*
iii. Payable later than 5 years	-	-	-	-
Total (i + ii + iii)	0.78	*2.21*	0.70	*2.01*
Less: Future finance charges	0.08	*0.20*		
Present Value of Minimum Lease Payments	0.70	*2.01*		

ii. Contingent rent recognised/(adjusted) in the Profit & Loss Account in respect of finance leases: Rs.Nil *(previous year: Rs.Nil)*

b) Operating leases:

i. The Company has taken various residential/commercial premises and plant and machinery under cancellable operating leases. These lease agreements are normally renewed on expiry.

ii. [a] The Company has taken certain assets like cars, technology assets, etc. on non-cancellable operating leases, the future minimum lease payments in respect of which, as at March 31, 2008 are as follows:

Minimum Lease Payments	*Rs.crore*
i. Payable not later than 1 year	16.34
ii. Payable later than 1 year and not later than 5 years	22.36
iii. Payable later than 5 years	-
Total	38.70

[b] The lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period. There are no exceptional/restrictive covenants in the lease agreements.

iii. Lease rental expense in respect of operating leases: Rs.32.69 crore *(previous year: Rs.29.08 crore)*

iv. Contingent rent recognized in the Profit & Loss Account: Rs.0.14 crore (*previous year: Rs.Nil)*

18. a) Provision for current tax:

i. includes provision for wealth tax Rs.1.23 crore *(previous year: Rs.0.88 crore)*

ii. is net of Rs.25.33 crore being provision for income tax of earlier years written back *(previous year: Rs.Nil)*

b) Provision for tax on fringe benefits includes Rs.0.79 crore pertaining to earlier years.

19. Major Components of Deferred Tax Liabilities and Deferred Tax Assets:

Rs.crore

Particulars	Deferred Tax Liabilities/ (Assets) *As at 31-3-2007*	Charge/ (credit) to Profit and Loss Account	Charge/ (credit) to Securities Premium Account	Net Deferred Tax Liability assumed on amalgamation	Charge/ (credit) to General Reserve	Deferred Tax Liabilities/ (Assets) As at 31-3-2008
Deferred Tax Liabilities:						
Difference between book and tax depreciation	*184.36*	35.85	-	-	-	220.21
Disputed statutory liabilities paid and claimed as deduction for tax purposes but not debited to Profit & Loss Account	*20.52*	3.60	-	-	-	24.12
Total	*204.88*	39.45	-	-	-	244.33
Deferred Tax (Assets):						
Provision for doubtful debts and advances debited to Profit & Loss Account	*(82.68)*	(17.33)	-	-	-	(100.01)
Unpaid statutory liabilities/provision for compensated absences debited to Profit & Loss Account	*(49.09)*	0.31	-	-	-	(48.78)
Other items giving rise to timing differences	*(32.92)*	(2.48)	1.23	-	-	(34.17)
Total	*(164.69)*	(19.50)	1.23	-	-	(182.96)
Net Deferred Tax Liability/(Assets)	***40.19***	**19.95**	**1.23**	**-**	**-**	**61.37**
Previous Year	*77.28*	*(25.63)*	*0.41*	*1.01*	*(12.88)*	*40.19*

Notes forming part of Accounts (contd.)

20. Basic and Diluted Earnings per share ["EPS"] computed in accordance with Accounting Standard (AS) 20 "Earnings per Share"

Particulars		2007-2008	*2006-2007*
Basic			
Profit after tax as per Accounts (Rs.crore)	A	2173.42	*1403.02*
Weighted average number of shares outstanding	B	28,75,26,102	*27,93,66,027*
Basic EPS (Rupees)	A/B	**75.59**	***50.22***
Diluted			
Profit after tax as per Accounts (Rs.crore)	A	2173.42	*1403.02*
Add: Interest / Exchange difference (gain)/loss on bonds convertible into equity shares (net of tax) (Rs.crore)	B	(21.85)	*(7.62)*
Adjusted profit for diluted earnings per share (Rs.crore)	C=A+B	2151.57	*1395.40*
Weighted average number of shares outstanding	D	28,75,26,102	*27,93,66,027*
Add: Weighted average number of potential equity shares that could arise on conversion of FCCBs	E	12,29,724	*40,11,908*
Add: Weighted average number of potential equity shares on account of employee stock options	F	69,53,366	*51,94,370*
Weighted average number of shares outstanding for Diluted EPS	G=D+E+F	29,57,09,192	*28,85,72,305*
Diluted EPS (Rupees)	C/G	**72.76**	***48.36***

21. Disclosures required by Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets":

a) Movement in provisions:

Rs.crore

Sr. No	Particulars	Class of Provisions					
		Product Warranties	Excise Duty	Sales Tax	Litigation related obligations	Others	Total
1	Balance as at 1-4-2007	*23.31*	*2.99*	*16.08*	*29.97*	*25.03*	***97.38***
2	Additional provision during the year	13.80	3.87	8.15	0.14	41.98	**67.94**
3	Provision reversed during the year	19.02	2.80	2.45	28.00	1.91	**54.18**
4	Balance as at 31-3-2008 (4 = 1 + 2 − 3)	**18.09**	**4.06**	**21.78**	**2.11**	**65.10**	**111.14**

b) Nature of provisions:

i. Product Warranties: The Company gives warranties on certain products and services, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Provision made as at March 31, 2008 represents the amount of the expected cost of meeting such obligations of rectification/replacement. The timing of the outflows is expected to be within a period of two years.

ii. Provision for Excise duty represents the differential duty liability that is expected to materialise in respect of matters in appeal.

iii. Provision for Sales Tax represents mainly the differential sales tax liability on account of non-collection of declaration forms for the period prior to 5 years.

iv. Provision for litigation related obligations represents liabilities that are expected to materialise in respect of matters in appeal.

v. "Others" mainly include provision for estimated rectification costs for completed construction contracts.

c) Disclosure in respect of Contingent Liabilities is given as part of Schedule J to the Balance Sheet.

22. The expenditure on Research and Development activities, as certified by the Management, is Rs.67.25 crore (including capital expenditure of Rs.6.61 crore) *(previous year: Rs.55.47 crore, including capital expenditure of Rs.4.12 crore).*

Notes forming part of Accounts (contd.)

23. In line with the Company's risk management policy, the various financial risks mainly relating to changes in the exchange rates, interest rates and commodity prices are hedged by using a combination of forward contracts, swaps and other derivative contracts, besides the natural hedges.

Pursuant to the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008 on accounting of derivatives, the Company has adopted, during the year under review, the principles of hedge accounting as per the Accounting Standard (AS) 30, in respect of those derivative transactions which are not covered by the existing Accounting Standard (AS) 11. This treatment has resulted in a net loss of Rs.171.53 crore arising out of fair valuation of outstanding derivative contracts which has been recognised in the Profit & Loss Account. Consequently, profit before tax for the year is lower by the same amount.

a) The particulars of derivative contracts entered into for hedging purposes outstanding as at March 31, 2008 are as under:

Rs.crore

Category of Derivative Instruments	As at 31-3-2008	*As at 31-3-2007*
i. For hedging foreign currency risks		
(a) Forward contracts for receivables including firm commitments and highly probable forecasted transactions	1999.09	*1630.47*
(b) Forward contracts for payables including firm commitments and highly probable forecasted transactions	1886.87	*2642.30*
(c) Currency Swaps	3658.49	-
(d) Option Contracts	3595.17	-
ii. For hedging interest rate risks		
Interest rate swaps	150.00	*25.00*
iii. For hedging commodity price risks		
Commodity Futures	-	*35.18*

b) Unhedged foreign currency exposures as at March 31, 2008 are as under:

Rs.crore

Unhedged Foreign Currency Exposures	As at 31.3.2008	*As at 31.3.2007*
i Receivables, including firm commitments and highly probable forecasted transactions	11000.89	*6796.35*
ii Payables, including firm commitments and highly probable forecasted transactions	6919.90	*5460.39*

24. Estimated amount of contracts remaining to be executed on capital account (net of advances): Rs.608.16 crore *(previous year Rs.346.39 crore).*

25. Managerial Remuneration

a) Managing and Whole-time Directors' remuneration:

Rs.crore

Particulars	2007-2008	*2006-2007*
Salary	5.67	*5.40*
Perquisites	2.93	*2.82*
Commission	21.96	*13.80*
Contribution to Provident / Superannuation Fund	7.46	*5.18*
Total	38.02	*27.20*

Note: The above figures do not include contribution to gratuity fund, pension scheme and provision for compensated absences, since the same is provided on an actuarial basis for the Company as a whole.

b) Computation of Managerial Remuneration:

Rs.crore

Profit before tax before extraordinary items as per Profit and Loss Account			3155.47
Add: Managing and Whole-time Directors' remuneration and commission		38.02	
Commission paid to non-executive directors		0.90	
Directors' fees		0.18	
Depreciation, obsolescence and amortisation charged to the Accounts	213.63		
Less: Transfer from Revaluation Reserve	2.03		
		211.60	
Carried forward		250.70	3155.47

Notes forming part of Accounts (contd.)

b) Computation of Managerial Remuneration (contd.)

		Rs.crore
Brought forward	250.70	3155.47
Provision for diminution in value of investments	24.42	
Provision for doubtful debts and advances (net)	84.32	
Provision for foreseeable losses on construction contracts	24.80	
Profit (net) on sale of fixed assets as per Section 349 of the Companies Act, 1956 (net of capital profits)	1.75	
		385.99
Less: Profit on sale of fixed assets as per Profit and Loss Account (net)	6.92	
Profit on sale of long-term investments as per Profit and Loss Account (net)	111.82	
Premium on redemption of debentures charged to Securities Premium Account	(2.40)	
Depreciation and obsolescence as per Section 350 of the Companies Act, 1956 (net)	162.06	
Depreciation on leased assets	0.47	
		278.87
Net Profit as per Section 198 of the Companies Act, 1956		3262.59
Maximum permissible remuneration to whole-time directors under Section 198 of the Companies Act, 1956 @ 10 % of the profits computed above		326.26
Restricted as per service agreements to		38.02
Maximum permissible managerial remuneration to non-executive directors under Section 198 of the Companies Act, 1956 @ 1 %		32.63
Restricted as per shareholders' approval to		0.90

c) Miscellaneous expenses include provision of Rs 0.90 crore *(previous year: Rs.0.90 crore)* towards commission payable to non-executive directors of the Company, in terms of the special resolution passed at the Annual General Meeting held on August 26, 2005.

	2007-2008 Rs.crore	*2006-2007 Rs.crore*
26. Auditors' remuneration (excluding service tax) and expenses charged to the accounts:		
Audit fees	0.50	*0.50*
Certification work	0.88	*0.55*
Tax audit fees	0.18	*0.11*
Expenses reimbursed	0.07	*0.11*
Note: The above figures exclude fees paid for GDR issue of Rs.0.04 crore *(previous year Rs.Nil)* charged to Securities Premium Account during the year		
27. Value of Imports (on C.I.F. basis):		
Raw materials	624.75	*531.29*
Components and spare parts	1430.39	*1148.51*
Spare parts for sale	253.52	*174.19*
Capital goods	198.47	*161.48*
28. Expenditure in foreign currency:		
On overseas contracts	1545.01	*898.87*
Royalty and technical know-how fees	3.28	*4.29*
Interest	56.75	*32.31*
Professional/Consultation fees	82.04	*78.19*
Other matters	336.72	*455.39*
29. Dividends remitted in foreign currency:		
Dividend for the year ended March 31, 2008 to:		
i. 9 non-resident shareholders on 7,850 shares held by them (*previous year: 7,850 shares)*		
~ on 25-7-2007: Rs.15700		
~ on 30-8-2007: Rs.15700	-	*0.01*
ii. Custodian of Global Depositary Receipts *(previous year: 68,88,179 shares)*		
~ on 25-7-2007: Rs.1.55 crore on 77,48,258 shares	3.44	*7.58*
~ on 30-8-2007: Rs.1.89 crore on 94,68,501 shares		

Notes forming part of Accounts (contd.)

	2007-2008 Rs.crore	*2006-2007 Rs.crore*
30. Earnings in foreign exchange:		
Export of goods [including Rs.1432.49 crore on FOB basis *(previous year Rs.1106.29 crore)*]	1446.72	*1115.83*
Construction and project related activities	3611.31	*2464.51*
Export of services	577.99	*174.28*
Commission	2.91	*3.77*
Interest and dividend received	17.66	*5.78*
Other receipts	-	*6.42*
31. The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006, (MSMED Act) as at 31-3-2008. The disclosure pursuant to the said Act is as under:		
Principal amount due to suppliers under MSMED Act, 2006	3.55	*0.93*
Interest accrued & due to suppliers under MSMED Act on the above amount, unpaid	0.01	*0.01*
Payment made to suppliers (other than interest) beyond the appointed day during the year	9.43	*1.02*
Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	0.06	*0.02*
Interest due and payable towards suppliers under MSMED Act for payments already made	0.06	-
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.03	*0.01*

Note: The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.

32. The Company has given, *inter alia,* the following undertakings in respect of its investments:

a) Jointly with L&T Infrastructure Development Projects Limited (a subsidiary of the Company), to the term lenders of its subsidiary companies L&T Transportation Infrastructure Limited (LTTIL) and Narmada Infrastructure Construction Enterprise Limited (NICE):

i. not to reduce their joint shareholding in LTTIL & NICE below 51% until the financial assistance received from the term lenders is repaid in full by LTTIL & NICE and

ii. to jointly meet the shortfall in the Working Capital requirements of LTTIL & NICE until the financial assistance received from the term lenders is repaid in full by LTTIL & NICE

b) To one of the term lenders of NICE to meet the shortfall, if any, in repayment of the FCNR-B loans availed by NICE on account of fluctuation in exchange rates.

c) In terms of Company's Concession Agreement with Government of India and Government of Gujarat, not to change the control over L&T Western India Tollbridge Limited (a subsidiary of L&T Infrastructure Development Projects Limited) during the period of the Agreement.

d) To the lenders of its subsidiaries L&T Panipat Elevated Corridor Private Limited & L&T Krishnagiri Thopur Toll Road Limited, not to dilute Company's shareholding below 51%, in L&T Infrastructure Development Projects Limited (a subsidiary of the Company).

e) To the lender of L&T Offshore International FZC (a subsidiary of the Company), not to pledge or reduce it's shareholding in L&T International FZE (the Holding Company of L&T Offshore International FZC) below 100% of the issued and allotted share capital.

f) Jointly with L&T-MHI Turbine Generators Private Limited (a subsidiary of L&T Power Projects Limited, which is a wholly owned subsidiary of the Company) and Mitsubishi Heavy Industries Limited (JV partners in L&T-MHI Turbine Generators Private Limited), to Andhra Pradesh Power Development Company Limited (APPDCL) to render unconditional and irrevocable financial support for the successful execution of APPDCL 2 x 800 MW Power Project-Steam Turbine Generator Package Tender, near Krishnapatnam, Nellore District, Andhra Pradesh, in case of award.

33. City Union Bank has sub-divided its shares of Rs.10 each into 10 shares of Rs.1 each w.e.f. 30-1-2008. The Company's investment in 1,20,00,000 shares of Rs.1 each of City Union Bank Limited had a lock in period of 1 year starting from the date of allotment (29-3-2007) and investment in 30,00,000 shares of Rs.1 each of City Union Bank Limited has a lock in period of 1 year starting from the date of allotment (8-10-2007).

34. On May 14, 2008, the Company entered into a definitive agreement for sale of Ready Mix Concrete (RMC) business. The financial effect of this sale will be given in the financial year 2008-2009 on conclusion of the transaction.

35. There are no amounts due and outstanding to be credited to Investor Education & Protection Fund as at March 31, 2008.

36. According to the Company, Construction is a service activity and therefore, the same is covered under para 3(ii)(c) of Part II of Schedule VI to the Companies Act, 1956.

Notes forming part of Accounts (contd.)

37. Details of sales, raw materials and components consumed, capacities and production, inventories and purchase of trading goods:

a) Sales:

Class of Goods	Unit	2007-2008 Quantity	2007-2008 Value Rs.crore	2006-2007 Quantity	2006-2007 Value Rs.crore
Earthmoving and agricultural machinery and spares			165.45		207.45
Welding alloys & accessories			329.86		166.89
Industrial machinery	Tonnes	16,097	283.61	11,841	250.72
Nuclear purpose equipment, de-aerators, ultra high pressure vessels including multiwall vessels, high pressure heat exchangers and high pressure heaters in aggregate	Tonnes	292	20.51	22	59.43
Plant & equipment and modules for nuclear power projects, heavy water projects, nuclear and space research and allied projects, including items for Chemical, Oil & Gas, etc. industries	Tonnes	29,423	2972.09	21,457	2663.95
Powder metallurgy and industrial products			117.68		95.55
Industrial electronic control panels			172.40		113.07
Valves and accessories			871.66		647.29
Chemical plant & machinery, including pharmaceutical, dyestuff, distillery, brewery and solvent extraction plants, evaporator and crystallizer plants and pollution control equipment in aggregate	Tonnes	8,771	1178.87	5,705	790.99
Switchgear, all types			965.74		872.66
Electro surgical unit and accessories			4.49		5.39
Petrol dispensing and metering pumps	Nos	6,649	106.14	7,987	64.44
Ship auxiliaries and components of mechanized sailing vessels	Tonnes	168	14.57	95	98.08
Complete cement making machinery, including rotary kilns and fluxo packers in aggregate	Nos	Parts for 2 Plants	298.77	Parts for 2 Plants	93.52
Transmission line tower	Tonnes	42,297	195.74	27,119	50.30
Steel structural fabrication	Tonnes	7,054	75.25	16,320	130.40
	Nos	6,93,771	18.03	10,45,472	36.40
Rubber processing machinery and accessories	Nos	235	297.05	314	236.46
Ultrasound equipment and accessories			20.05		24.70
Patient monitoring system and accessories			53.70		58.50
Electricity meters			144.09		183.80
Ready mix concrete	Cu.m.	30,72,870	1067.62	25,61,553	754.90
Defence equipment , all types			55.47		-
Others			1541.30		980.46
Total			10970.14 @		8585.35 @

@ includes Rs.4837.29 crore of construction & project related acvitity *(PY: Rs.3875.13 crore)*

b) Raw materials and components consumed:

(i) Class of Goods:

Particulars	Unit	2007-2008 Quantity	2007-2008 Value Rs.crore	2006-2007 Quantity	2006-2007 Value Rs.crore
Steel	Tonnes	73,164	279.84	1,24,490	304.17
	Metres	8,99,498	79.99	8,80,438	95.76
	Sq. mtrs	5,23,345	352.48	2,49,849	254.01
	Nos / Sets	9,33,089	478.45	8,75,616	187.83
Non-ferrous metals	Tonnes	3,649	112.86	3,768	118.09
	Metres	7,44,906	9.62	8,72,607	0.91
	Sq. mtrs	1,327	5.61	1,247	8.84
	Nos	1,03,841	9.10	37,029	5.16

Notes forming part of Accounts (contd.)

i. Class of Goods (Contd.)

Particulars	Unit	2007-2008 Quantity	2007-2008 Value Rs.crore	2006-2007 Quantity	2006-2007 Value Rs.crore
Bakelite	Tonnes	404	5.05	*256*	*2.73*
Cement machinery components			112.55		*83.56*
Nuclear equipment components, including items for Oil & Gas industries, etc. in aggregate			1275.90		*1034.69*
Chemical Plant components			671.20		*268.86*
Switchgear components			767.76		*509.43*
Electronic devices, test & measuring instruments and industrial electronic control panel components			137.21		*77.03*
Metering & Protection systems and Medical Equipment and components			203.36		*177.78*
Industrial Machinery Components			43.68		*35.21*
Power plant & machinery components			316.87		*35.93*
Others			1027.75		*453.97*
Total			5889.28		*3653.96*

ii. Classification of Goods:

Particulars	2007-08 % to total consumption	2007-08 Value Rs.crore	*2006-07 % to total consumption*	*2006-07 Value Rs.crore*
Imported (including through canalizing agencies)	40	2343.24	*49*	*1782.58*
Indigenous	60	3546.04	*51*	*1871.38*
Total	100	5889.28	*100*	*3653.96*

c) Capacities & Production:

Class of Goods	Unit	Licensed Capacity	Installed Capacity	Actual Production
Scrapper, bulldozer, ripper and loader attachments	Nos	250 *(250)*	250 *(250)*	- *(-)*
Road rollers, hot mix plants and other road construction and bridge construction machinery	Nos	150 *(150)*	150 *(150)*	- *(-)*
Dairy machinery and equipment – various items in aggregate	Nos	35,584 *(35,584)*	35,584 *(35,584)*	- *(-)*
Chemical plant and machinery, including pharmaceutical, dyestuff, distillery, brewery and solvent extraction plants, evaporator and crystalliser plants and pollution control equipment in aggregate	Tonnes	6,567 *(6,067)*	6,567 *(6,567)*	9,171 *(5,705)*
Equipment for food processing industry	Tonnes	65 *(65)*	65 *(65)*	- *(-)*
Complete cement making machinery, including rotary kilns and fluxo packers in aggregate	Nos	2 *(2)*	2 *(2)*	Parts for 2 plants *(Parts for 2 plants)*
Sugarcane and beet diffusion, beet preparation and beet pulp dehydration plants	Nos	2 *(2)*	2 *(2)*	- *(-)*
Nuclear purpose equipment, de-aerators, ultra high pressure vessels, vessels including multiwall vessels, high pressure heat exchangers and high pressure heaters in aggregate	Tonnes	5,000 *(5,000)*	3,950 *(3,950)*	292 *(22)*

Notes forming part of Accounts (contd.)

c) Capacities & Production (Contd.)

Class of Goods	Unit	Licensed Capacity	Installed Capacity	Actual Production
Plant and equipment and modules for nuclear power projects, heavy water projects, nuclear and space research and allied projects, including items for chemical, oil and gas, etc. industries	Tonnes	10,000 *(10,000)*	10,000 *(10,000)*	33,800# *(21,457)#*
Complete high speed bottling plants	Nos	6 *(6)*	6 *(6)*	- *(-)*
Pulp and paper making plants	Tonnes	2,000 *(2,000)*	800 *(800)*	- *(-)*
Suspended particles drying plants	Nos	6 *(6)*	6 *(6)*	- *(-)*
Containers for liquefied gases and chemicals	Nos	Not applicable * *(Not applicable) **	1,000 tonnes carrying capacity *(1,000 tonnes carrying capacity)*	- *(-)*
Steel plant valves	Nos	40 *(40)*	40 *(40)*	- *(-)*
Ship auxiliaries and components of mechanised sailing vessels	Tonnes	1,000 *(1,000)*	1,000 *(1,000)*	168 *(95)*
Rubber processing machinery	Nos	109 *(109)*	109 *(109)*	232 *(316)*
Switchgear, all types	Nos	26,78,500 $ *(26,78,500) $*	31,74,750 *(31,74,750)*	50,42,105 *(44,03,446)*
Miscellaneous electrical items	Nos	10,49,100 *(10,49,100)*	10,39,100 *(10,39,100)*	- *(-)*
Petrol dispensing and metering pumps	Nos	4,800 *(4,800)*	4,800 *(4,800)*	6,757 *(7,898)*
Press tools, jigs, fixtures, dies for pressure castings, moulds for plastic injection and bakelite	Rs.L /Nos	Rs.220 lakh@ *(Rs.220 lakh)@*	Rs.295 lakh *(Rs.295 lakh)*	370 nos *(226 nos)*
Industrial machinery	Tonnes	12,000 *(12,000)*	12,000 *(12,000)*	16,169 *(11,953)*
Industrial electronic control panels	Nos	2,500 *(2,500)*	2,500 *(2,500)*	638 *(559)*
Electronic devices	Nos	30,000 *(30,000)*	30,000 *(30,000)*	9,248 *(6,930)*
Electro surgical unit and accessories	Nos	Not applicable * *(Not applicable) **	1,250 *(1,250)*	452 *(492)*
Ultrasound equipment and accessories	Nos	Not applicable * *(Not applicable) **	1,000 *(1,000)*	519 *(658)*
Patient monitoring system and accessories	Nos	Not applicable * *(Not applicable) **	7,000 *(7,000)*	6,603 *(6,872)*
Relays	Nos	Not applicable * *(Not applicable) **	60,000 *(60,000)*	55,222 *(58,341)*
Control & relay panels	Nos	Not applicable * *(Not applicable) **	100 *(100)*	- *(-)*
Electricity meters	Nos	Not applicable * *(Not applicable) **	7,00,000 *(7,00,000)*	5,83,540 *(6,60,383)*
Transmission line tower	Tonnes	51,000 *(51,000)*	51,000 *(51,000)*	62,804 *(54,615)*
Steel structural fabrication	Metric Tonnes	12,000 *(12,000)*	12,000 *(12,000)*	45,852 *(36,223)*
Steel re-rolling	Tonnes	40,000 *(40,000)*	40,000 *(40,000)*	31,506 *(14,101)*

Notes forming part of Accounts (contd.)

c) Capacities & Production (Contd.)

Class of Goods	Unit	Licensed Capacity	Installed Capacity	Actual Production
Ready mix concrete	M^3	53,58,400 *(41,66,600)*	53,58,400 *(41,66,600)*	34,65,306 *(27,37,523)*
Defence equipment , all types	Nos	*3,971* *(-)*	*3,971* *(-)*	*274 parts thereof* *(-)*
Commercial Ships	Nos	- *(-)*	2 *(-)*	- *(-)*

Figures in brackets pertain to previous year.

* Licensing not applicable. Installed capacity is based on one of the following:

1. Entrepreneur's Memoranda filed with Govt. of India, Ministry of Industry, New Delhi;
2. Registration with the Directorate General of Technical Development
3. Approval obtained from the Govt. of India, Ministry of Industry, New Delhi;
4. Agreement with Govt. of India, Ministry of Petroleum & Natural Gas.

@ Excludes Rs.200 lakh in respect of Memorandum No. 1322/SIA/IMO/92 dated March 27, 1992 of which capacity of Rs.75 lakh has been installed.

$ Excludes 6,96,250 nos. in respect of Memoranda Nos. 924/SIA/IMO/91 and 922/SIA/IMO/91 dated September 11, 1991 of which capacity of Rs.4,96,250 nos. has been installed.

Includes production from external sources

d) Inventories

Class of Goods	Unit	As at 31-3-2008 Quantity	As at 31-3-2008 Value	*As at 31-3-2007 Quantity*	*As at 31-3-2007 Value*	*As at 31-3-2006 Quantity*	*As at 31-3-2006 Value*
			Rs.crore		*Rs.crore*		*Rs.crore*
Electronic, medical and other instruments, accessories and spares		-	-		*0.17*		*0.18*
Industrial machinery	Tonnes	253	3.52	*221*	*4.49*	*109*	*1.92*
Switchgear, all types			130.54		*120.03*		*90.83*
Complete cement making machinery, including rotary kilns and fluxo packers in aggregate	Nos	Parts for 2 Plants	0.47	*Parts for 2 Plants*	*38.40*	*Parts for 2*	*145.20*
Patient monitoring systems and accessories			9.43		*7.07*		*2.47*
Chemical plant & machinery, including pharmaceutical, dyestuff, distillery, brewery and solvent extraction plants, evaporator and crystallizer plants and pollution control equipment in aggregate	Tonnes	152	444.45	*152*	*568.94*	*152*	*302.12*
Industrial electronic control panels			0.01		*0.04*		*0.04*
Spares for earthmoving and agricultural machinery			57.30		*38.49*		*28.41*
Nuclear purpose equipment, deaerators, ultra high pressure vessels including multiwall vessels, high pressure heat exchangers and high pressure heaters in aggregate			129.91		*96.48*		*51.36*
Ultrasound equipment and accessories			6.09		*6.13*		*4.95*
Powder metallurgy and industrial products			10.56		*8.18*		*6.81*
Petrol dispensing and metering pumps	Nos	281	2.92	*173*	*4.74*	*262*	*4.43*
Valves and accessories			5.16		*2.56*		*1.70*
Earthmoving machinery, including bulldozers, dumpers, scrappers, loaders, vibratory compactors and drag lines (excluding walking drag lines)			18.23		*6.22*		*0.99*
Welding alloys and accessories			21.62		*16.56*		*11.18*

Notes forming part of Accounts (contd.)

d) Inventories (Contd.)

Class of Goods	Unit	As at 31-3-2008 Quantity	As at 31-3-2008 Value	*As at 31-3-2007 Quantity*	*As at 31-3-2007 Value*	*As at 31-03-2006 Quantity*	*As at 31-03-2006 Value*
			Rs.crore		*Rs.crore*		*Rs.crore*
Electronic test & measuring instruments			-		*0.49*		*0.15*
Plant and equipment and modules for nuclear power projects, heavy water projects, nuclear and space research and allied projects incl items for Chemical, Oil & Gas, etc. industries.			1813.85		*1386.27*		*555.87*
Defence equipment, all types			665.93		-		-
Commercial Ships			191.17		-		-
Ship auxiliaries and components of mechanised sailing vessels			39.70		-		-
Others			227.07		*530.82*		*379.92*
Total			3777.93@		*2836.08@*		*1588.53*

@ includes Rs.3456.55 crore shown as construction-related WIP *(PY: Rs.2589.15 crore)*

e) Purchases of Trading Goods *Rs.crore*

Class of Goods	2007-2008	*2006-2007*
Earthmoving and agricultural machinery and spares	240.51	*161.53*
Welding alloys and accessories	127.77	*113.40*
Valves and accessories	764.03	*559.28*
Electronic, medical & other instruments, accessories and spares	284.13	*237.69*
Powder metallurgy and industrial products	71.48	*64.90*
Others	93.98	*46.61*
Total	1581.90	*1183.41*

Notes:

(a) The installed capacities are as certified by Managing/Whole time Directors, on which the auditors have placed reliance.

(b) In terms of note 3 to para 3 of Part II of Schedule VI, items like spare parts and accessories are given without quantities in respect of sales, purchases and stocks.

(c) Quantitative figures for sales are after exclusion of inter-divisional transfers, capitalisation/captive consumption, samples, etc.

38. Certain heads of expenses forming part of Sales, Administration and Other expenses in the Profit and Loss Account have been regrouped during the current year in line with their functional classification and shown under Manufacturing, Construction and Operating expenses.

39. Figures for the previous year have been regrouped/reclassified wherever necessary.

LARSEN & TOUBRO
It's all about Imagineering

Notes forming part of Accounts (contd.)

40 Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No. L99999MH1946PLC004768 State Code 11

Balance Sheet Date 31032008

II **Capital Raised during the Year (Amount in Rs.thousands)@**

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement#**
NIL	15111

Conversion of Foreign Currency Convertible Bonds and allotment of Global Depository Shares

@ The Company also raised capital during the year by way of allotment of shares under Employee Stock Ownership Schemes amounting to Rs.3002 Thousand

III **Position of Mobilisation and Deployment of funds (Amount in Rs.thousands)**

	Total Liabilities	Total Assets
	133833992	133833992
Sources of Funds	Paid-Up Capital	Reserves & Surplus *
	584655	94966021
		*Including employee stock options Rs.1143878 Thousands.
	Secured Loans	Unsecured Loans
	3085334	32754648
	Deferred Tax Liabilities	
	2443334	
Application of Funds	Net Fixed Assets and net Intangible Assets	Investments
	36454343	69222551
	Net Current Assets	Deferred Tax Assets
	26296831	1829635
	Misc. Expenditure	Accumulated Losses
	30632	NIL

IV **Performance of Company (Amount in Rs.thousands)**

Turnover (Including other income)	Total Expenditure
2552980277	22374337 6
+ - Profit/Loss Before Tax before extraordinary items @	+ - Profit/Loss After Tax @
+ 31554651	+ 21734235

Please tick Appropriate box + for Profit, - for Loss

@ Includes Company's share in loss of Integrated Joint Ventures Rs.24141 Thousands (net of tax).

Basic Earnings Per Share in Rs.	Dividend Rate %
75.59	850

V **Generic Names of Three Principal Products/Services of the Company**
(as per monetary terms)

Item Code No. (ITC Code)	N.A.
Product Description	Construction and project related activity
Item Code No. (ITC Code)	847989.02
Product Description	Plant and equipment and modules for nuclear power projects, heavy water projects, nuclear and space reaserch and allied projects including items for Chemical, Oil and Gas, etc. industries
Item Code No. (ITC Code)	847989.02
Product Description	Chemical plant & machinery, including pharmaceutical, dyestuff, distillery, brewery and solvent extraction planrs, evaporator and crystallizer plants and pollution control equipment in aggregate

Signatures to Schedules A to Q and Notes

A.M. NAIK
Chairman & Managing Director

As per our report attached
SHARP & TANNAN
Chartered Accountants
by the hand of
F.M. KOBLA
Partner
Membership No.15882

Mumbai, May 29, 2008

N. HARIHARAN
Company Secretary

J.P. NAYAK
Y.M. DEOSTHALEE
K. VENKATARAMANAN
K. V. RANGASWAMI

V.K. MAGAPU
M. V. KOTWAL
S. RAJGOPAL
S.N. TALWAR

M. M. CHITALE
THOMAS MATHEW T.
N. MOHANRAJ
SUBODH BHARGAVA
BHAGYAM RAMANI

Directors

Mumbai, May 29, 2008

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies:

Name of the subsidiary company	L&T Finance Limited	Larsen & Toubro Infotech Limited	Larsen & Toubro (Oman) LLC	India Infrastructure Developers Limited	L&T Infocity Limited	Larsen & Toubro International FZE	Larsen & Toubro Information Technology Canada Limted
Financial year of the subsidiary company ended on	31-3-2008	31-3-2008	31-12-2007	31-3-2008	31-3-2008	31-12-2007	31-3-2008
Number of Shares in the subsidiary company held by Larsen & Toubro Limited at the above date							
- Equity shares	18,66,91,500	3,00,00,000	Nil	5,60,60,000	Nil	763	Nil
- Preference shares	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Limited:	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	15.65	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	30.55	128.26	3.26	Nil	5.28	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	115.01	192.82	17.06	(17.81)	26.24	(267.34)	0.36
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	119.93	257.86	31.73	4.72	55.13	186.27	0.03
Changes in the interest of Larsen & Toubro Limited between the end of the subsidiary's financial year and March 31, 2008							
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	67	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008							
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Name of the subsidiary company	*Narmada* Infrastructure Construction Enterprise Limited	*L&T* Transportation Infrastructure Limited	*L&T-Sargent* & Lundy Limited	*L&T-ECC* Construction (M) SDN.BHD.	*L&T* Western India Tollbridge Limited	*L&T* Infrastructure Development Projects Limited	*Larsen &* Toubro (Wuxi) Electric Company Limited
Financial year of the subsidiary company ended on	31-3-2008	31-3-2008	31-3-2008	31-12-2007	31-3-2008	31-3-2008	31-12-2007
Number of Shares in the subsidiary company held by Larsen & Toubro Limited at the above date							
- Equity shares	1,26,48,507	1,08,64,000	27,52,129	Nil	1,39,50,007	19,30,31,352	Nil
- Preference shares	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Limited:	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	1.31	0.03	1.08	1.95	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	12.91	2.74	1.84	0.32	2.10	15.83	(1.36)
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	1.37	0.53	2.60	(0.29)	5.06	115.27	(1.02)
Changes in the interest of Larsen & Toubro Limited between the end of the subsidiary's financial year and March 31, 2008							
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008							
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies (contd.)

Name of the subsidiary company	Cyber Park Development and Construction Limited	L&T Capital Company Limited	Larsen & Toubro Infotech GmbH	Hyderabad International Trade Expositions Limited	Tractor Engineers Limited	Larsen & Toubro Qatar LLC	Larsen & Toubro LLC
Financial year of the subsidiary company ended on	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-12-2007	31-12-2007
Number of Shares in the subsidiary company held by Larsen & Toubro Limited							
at the above date - Equity shares	Nil	50,00,000	Nil	Nil	68,000	Nil	50,000
- Preference shares	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Limited:	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	0.55	Nil	Nil	2.38	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	2.79	4.08	1.59	0.53	(0.45)	(4.05)	0.40
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	1.54	4.26	3.55	(1.66)	24.62	(6.33)	0.08
Changes in the interest of Larsen & Toubro Limited between the end of the subsidiary's financial year and March 31, 2008							
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008							
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Name of the subsidiary company	International Seaports (India) Private Limited	International Seaports Pte. Limited	L&T Panipat Elevated Corridor Limited	L&T Tech Park Limited	L&T Krishnagiri Thopur Toll Road Limited	L&T Western Andhra Tollways Limited	L&T Vadodara Bharuch Tollway Limited
Financial year of the subsidiary company ended on	31-3-2008	31-12-2007	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008
Number of Shares in the subsidiary company held by Larsen & Toubro Limited							
at the above date - Equity shares	Nil	18,15,000	Nil	Nil	Nil	Nil	Nil
- Preference shares	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Limited:	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	(0.05)	(0.14)	Nil	0.27	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	(0.69)	(2.31)	Nil	Nil	Nil	Nil	Nil
Changes in the interest of Larsen & Toubro Limited between the end of the subsidiary's financial year and March 31, 2008 Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008							
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies (contd.)

Name of the subsidiary company	L&T Interstate Road Corridor Limited	Spectrum Infotech Private Limited	L&T Urban Infrastructure Limited	L&T Infocity Infrastructure Limited	L&T Infocity Lanka Private Limited	L&T Overseas Projects Nigeria Limited	L&T Infrastructure Development Projects (Lanka) Private Limited
Financial year of the subsidiary company ended on	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-12-2007	31-3-2008
Number of Shares in the subsidiary company held by Larsen & Toubro Limited at the above date - Equity shares	Nil	4,40,000	Nil	Nil	Nil	Nil	Nil
- Preference shares	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Limited:	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) *for the subsidiary's financial year ended* March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	1.63	(1.86)	0.11	0.58	Nil	Nil
(b) for previous financial years of the subsidiary *since it became subsidiary of* Larsen & Toubro Limited	Nil	(0.72)	0.18	0.05	0.05	Nil	Nil
Changes in the interest of Larsen & Toubro Limited between the end of the subsidiary's financial year and March 31, 2008 Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008							
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iii) *Moneys lent by the subsidiary*	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Name of the subsidiary company	L&T Infrastructure Finance Company Limited	L&T Power Projects Limited	International Seaport Dredging Limited	L&T Modular Fabrication Yard LLC	Larsen & Toubro Saudi Arabia LLC	Larsen & Toubro Readymix Concrete Industries LLC	Larsen & Toubro (Jiangsu) Valve Company Limited
Financial year of the subsidiary company ended on	31-3-2008	31-3-2008	31-3-2008	31-12-2007	31-12-2007	31-12-2007	31-12-2007
Number of Shares in the subsidiary company held by *Larsen & Toubro Limited* at the above date - Equity shares	50,00,00,000	1,05,01,000	28,816	Nil	Nil	Nil	Nil
- Preference shares	Nil	Nil	9,420	Nil	Nil	Nil	Nil
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Limited:	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) *for the subsidiary's financial year ended* March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	45.17	Nil	0.11	(3.19)	(44.61)	(3.68)	(3.15)
(b) for previous financial years of the subsidiary *since it became subsidiary of* Larsen & Toubro Limited	4.98	Nil	8.34	Nil	(5.76)	Nil	Nil
Changes in the interest of Larsen & Toubro Limited between the end of the subsidiary's financial year and March 31, 2008							
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008							
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil	0.04
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies (contd.)

Name of the subsidiary company	L&T Electricals Saudi Arabia Company Limited	Larsen & Toubro Kuwait Construction General Contracting Co. WLL	Larsen & Toubro (Qingdao) Rubber Machinery Limited	L&T-MHI Boilers Private Limited	L&T Uttaranchal Hydropower Limited	L&T Bangalore Airport Hotel Limited	L&T-Valdel Engineering Limited	Offshore International FZC
Financial year of the subsidiary company ended on	**31-3-2008**	**31-12-2007**	**31-12-2007**	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-12-2007**
Number of Shares in the subsidiary company held by Larsen & Toubro Limited								
at the above date - Equity shares	Nil	Nil	Nil	Nil	Nil	Nil	12,44,500	Nil
- Preference shares	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Limited:	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro Limited amounted to:								
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	2.49	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Limited amounted to:								
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	(0.14)	(0.32)	(0.37)	Nil	Nil	Nil	1.13	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	(0.01)	Nil	0.0008	Nil	Nil	Nil	Nil	Nil
Changes in the interest of Larsen & Toubro Limited between the end of the subsidiary's financial year and March 31, 2008								
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008								
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Name of the subsidiary company	L&T Vision Ventures Limited	L&T Phoenix Infoparks Private Limited	Larsen & Toubro Electromech LLC	GDA Technologies, Inc.	GDA Systems Private Limited	GDA Technologies Limited	L&T Power Development Limited	L&T Realty FZE
Financial year of the subsidiary company ended on	**31-3-2008**	**31-3-2008**	**31-12-2007**	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-3-2008**
Number of Shares in the subsidiary company held by Larsen & Toubro Limited								
at the above date - Equity shares	Nil	Nil	Nil	Nil	Nil	Nil	2,90,00,000	Nil
- Preference shares	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Limited:	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro Limited amounted to:								
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Limited amounted to:								
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	(0.01)	(3.25)	(16.67)	(0.01)	(3.21)	(2.53)	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	11.34	(19.32)	Nil	55.22	Nil	Nil
Changes in the interest of Larsen & Toubro Limited between the end of the subsidiary's financial year and March 31, 2008								
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008								
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies (contd.)

Name of the subsidiary company	Larsen & Toubro Atco Saudia LLC	L&T-Arun Excello Commercial Projects Private Limited	L&T Gulf Private Limited	L&T Hitech City Limited	Hi Tech Rock Products & Aggregates Limited	L&T-MHI Turbine Generators Private Limited	Arun Excello Infrastructure Private Limited	L&T Seawoods Private Limited
Financial year of the subsidiary company ended on	31-12-2007	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008
Number of Shares in the subsidiary company held by Larsen & Toubro Limited at the above date - Equity shares	Nil	Nil	10,000	Nil	50,000	Nil	Nil	Nil
- Preference shares	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Limited:	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro Limited amounted to:								
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Limited amounted to:								
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	(0.13)	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	Nil	Nil	Nil	Nil	6.71	Nil
Changes in the interest of Larsen & Toubro Limited between the end of the subsidiary's financial year and March 31, 2008								
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008								
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Name of the subsidiary company	L&T Shipbuilding Limited	L&T Concrete Private Limited	L&T Transco Private Limited	L&T Realty Private Limited	L&T Strategic Management Limited	L&T Infra & Property Development Limited	Qingdao Larsen & Toubro Trading Company Limited	L&T Chennai-Tada Tollway Private Limited
Financial year of the subsidiary company ended on	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008
Number of Shares in the subsidiary company held by Larsen & Toubro Limited at the above date - Equity shares	50,000	10,000	10,000	4,71,60,700	50,000	10,000	Nil	Nil
- Preference shares	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Limited:	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro Limited amounted to:								
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Limited amounted to:								
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	(0.05)	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Changes in the interest of Larsen & Toubro Limited between the end of the subsidiary's financial year and March 31, 2008								
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008								
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies (contd.)

Name of the subsidiary company	CSJ Infrastructure Private Limited	Bhilai Power Supply Company Limited	Andhra Pradesh Expositions Private Limited	Raykal Aluminium Company Private Limited	L&T South City Projects Limited	L&T General Insurance Company Limited	L&T Siruseri Property Developers Limited
Financial year of the subsidiary company ended on	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008
Number of Shares in the subsidiary company held by Larsen & Toubro Limited							
at the above date - Equity shares	Nil	49,950	Nil	Nil	Nil	Nil	Nil
- Preference shares	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Limited:	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2008 and December 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Changes in the interest of Larsen & Toubro Limited between the end of the subsidiary's financial year and March 31, 2008							
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008							
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note: L&T Panipat Elevated Corridor Limited, L&T Krishnagiri Thopur Toll Road Limited, L&T Western Andhra Tollways Limited, L&T Vadodara Bharuch Tollway Limited, L&T Interstate Road Corridor Limited, L&T Overseas Projects Nigeria Limited, L&T Infrastructure Development Projects (Lanka) Private Limited, L&T Power Projects Limited, L&T-MHI Boilers Private Limited, L&T Uttaranchal Hydro Power Limited, L&T Bangalore Airport Hotel Limited, L&T Vision Ventures Limited, Larsen & Toubro Atco Saudia LLC, L&T-Arun Excello Commercial Projects Private Limited, L&T Gulf Private Limited, L&T Hi-Tech City Limited, Hi Tech Rock Products & Aggregates Limited, L&T-MHI Turbine Generators Private Limited, Arun Excello Infrastructure Private Limited, L&T Ship Building Limited, L&T Concrete Private Limited, L&T Transco Private Limited, L&T Realty Private Limited, L&T Strategic Management Limited, L&T Infra & Property Development Limited, CSJ Infrastructure Private Limited, Bhilai Power Suppy Company Limited, Andhra Pradesh Expositions Private Limited, Raykal Aluminium Company Private Limited, L&T South City Projects Limited, L&T General Insurance Company Limited and L&T Siruseri Developers Limited are yet to commence business.

A.M. NAIK
Chairman & Managing Director

J.P. NAYAK
Y.M. DEOSTHALEE
K. VENKATARAMANAN
K. V. RANGASWAMI

V.K. MAGAPU
M. V. KOTWAL
S. RAJGOPAL
S.N. TALWAR

M. M. CHITALE
THOMAS MATHEW T.
N. MOHANRAJ
SUBODH BHARGAVA
BHAGYAM RAMANI

Directors

N. HARIHARAN
Company Secretary

Mumbai, May 29, 2008

Mumbai, May 29, 2008

Information on Subsidiary Companies
(for the financial year or as on, as the case may be)

Rs.crore

Sr. No.	Particulars	L&T Finance Limited	Larsen & Toubro Infotech Limited	Larsen & Toubro (Oman) LLC	India Infrastructure Developers Limited	L&T Infocity Limited	Larsen & Toubro International FZE	Larsen & Toubro Information Technology Canada Limited
	Financial year ending on	**31-3-2008**	**31-3-2008**	**31-12-2007**	**31-3-2008**	**31-3-2008**	**31-12-2007**	**31-3-2008**
	Currency			**Omani Riyal**			**USD**	**Canadian Dollar**
	Exchange rate on the last day of the financial year			**102.4425**			**39.4150**	**39.3175**
1	Share Capital (including Share Application money pending allotment)	186.69	15.72	4.57	56.06	27.00	476.97	0.0004
2	Reserves	534.94	523.21	75.06	(13.09)	153.05	(113.01)	0.33
3	Liabilities	4422.42	440.29	423.29	21.39	330.41	240.05	10.07
4	Total Liabilities	5144.05	979.22	502.92	64.36	510.46	604.01	10.40
5	Total Assets	5144.05	979.22	502.92	64.36	510.46	604.01	10.40
6	Investments (Details on pages 178 to 186)	36.67	191.84	-	35.04	44.59	116.46	-
7	Turnover	606.06	1581.68	778.70	26.29	194.64	23.14	33.36
8	Profit before taxation	161.35	242.90	29.77	(0.06)	60.30	(267.34)	0.57
9	Provision for taxation	46.34	31.77	3.53	17.75	10.95	-	0.21
10	Profit after taxation	115.01	211.13	26.24	(17.81)	49.35	(267.34)	0.36
11	Proposed dividend-Equity	-	-	-	-	-	-	-
12	Proposed dividend-Preference	-	-	-	-	-	-	-

Sr. No.	Particulars	Narmada Infrastructure Construction Enterprise Limited	L&T Transportation Infrastructure Limited	L&T-Sargent & Lundy Limited	L&T-ECC Construction (M) SDN.BHD.	L&T Western India Tollbridge Limited	L&T Infrastructure Development Projects Limited	Larsen & Toubro (Wuxi) Electric Company Limited
	Financial year ending on	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-12-2007**	**31-3-2008**	**31-3-2008**	**31-12-2007**
	Currency				**Malaysian Ringitt**			**Chinese Yuan Renminbi**
	Exchange rate on the last day of the financial year				**11.9175**			**5.4064**
1	Share Capital (including Share Application money pending allotment)	47.35	41.40	5.50	0.86	13.95	298.37	24.61
2	Reserves	16.78	3.84	4.91	0.16	8.99	800.48	(2.86)
3	Liabilities	27.47	154.00	17.03	63.37	0.63	104.49	16.68
4	Total Liabilities	91.60	199.24	27.44	64.39	23.57	1203.34	38.43
5	Total Assets	91.60	199.24	27.44	64.39	23.57	1203.34	38.43
6	Investments(Details on pages 178 to 186)	12.79	33.36	4.51	-	11.32	1024.07	-
7	Turnover	36.08	28.16	41.81	171.96	10.71	38.78	22.68
8	Profit before taxation	16.98	9.24	4.86	1.35	2.96	21.93	(1.36)
9	Provision for taxation	1.82	6.02	1.18	0.30	0.32	2.06	-
10	Profit after taxation	15.17	3.22	3.68	1.05	2.64	19.87	(1.36)
11	Proposed dividend-Equity	-	-	-	-	-	-	-
12	Proposed dividend-Preference	-	-	-	-	-	-	-

Sr. No.	Particulars	Cyber Park Development & Construction Limited	L&T Capital Company Limited	Larsen & Toubro Infotech GmbH	Hyderabad International Trade Expositions Limited	Tractor Engineers Limited	Larsen & Toubro Qatar LLC	Larsen & Toubro LLC
	Financial year ending on	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-12-2007**	**31-12-2007**
	Currency			**Euro**			**Qatari Riyal**	**USD**
	Exchange rate on the last day of the financial year			**63.4375**			**10.8300**	**39.4150**
1	Share Capital (including Share Application money pending allotment)	1.00	22.00	0.11	15.12	6.80	0.24	0.24
2	Reserves	14.20	8.34	5.14	(3.96)	42.96	(19.23)	0.48
3	Liabilities	34.76	80.04	13.11	38.11	137.80	46.52	9.06
4	Total Liabilities	49.96	110.38	18.36	49.27	187.56	27.53	9.78
5	Total Assets	49.96	110.38	18.36	49.27	187.56	27.53	9.78
6	Investments(Details on pages 178 to 186)	9.32	98.36	-	0.01	0.23	0.11	-
7	Turnover	16.99	8.45	42.80	12.19	173.31	29.97	17.61
8	Profit before taxation	11.30	6.02	1.67	2.68	(0.32)	(8.27)	0.58
9	Provision for taxation	2.15	1.94	0.08	0.84	0.13	-	0.18
10	Profit after taxation	9.15	4.08	1.59	1.84	(0.45)	(8.27)	0.40
11	Proposed dividend-Equity	-	-	-	-	-	-	-
12	Proposed dividend-Preference	-	-	-	-	-	-	-

Information on Subsidiary Companies
(for the financial year or as on, as the case may be) *(contd.)*

Rs.crore

Sr. No.	Particulars	International Seaports (India) Private Limited	International Seaports Pte. Limited	L&T Panipat Elevated Corridor Limited	L&T Tech Park Limited	L&T Krishnagiri Thopur Toll Road Limited	L&T Western Andhra Tollways Limited	L&T Vadodara Bharuch Tollway Limited
	Financial year ending on	**31-3-2008**	**15-11-2007**	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-3-2008**
	Currency		**Singapore Dollar**					
	Exchange rate on the last day of the financial year		**29.0725**					
1	Share Capital (including Share Application money pending allotment)	2.50	7.85	80.56	28.50	78.75	39.17	43.50
2	Reserves	(3.89)	(7.83)	-	6.40	-	-	-
3	Liabilities	1.50	-	330.96	78.79	262.21	175.40	742.81
4	Total Liabilities	0.11	0.02	411.52	113.69	340.96	214.57	786.31
5	Total Assets	0.11	0.02	411.52	113.69	340.96	214.57	786.31
6	Investments(Details on pages 178 to 186)	-	-	7.14	6.13	-	-	-
7	Turnover	-	-	-	17.38	-	-	-
8	Profit before taxation	(0.06)	(0.14)	-	2.32	-	-	-
9	Provision for taxation	-	-	-	1.42	-	-	-
10	Profit after taxation	(0.06)	(0.14)	-	0.90	-	-	-
11	Proposed dividend-Equity	-	-	-	-	-	-	-
12	Proposed dividend-Preference	-	-	-	-	-	-	-

Sr. No.	Particulars	L&T Interstate Road Corridor Limited	Spectrum Infotech Private Limited	L&T Urban Infrastructure Limited	L&T Infocity Infrastructure Limited	L&T Infocity Lanka Private Limited	L&T Overseas Projects Nigeria Limited	L&T Infrastructure Develement Projects (Lanka) Private Limited
	Financial year ending on	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-12-2007**	**31-3-2008**
	Currency					**Sri Lankan Rupees**	**Nigerian Naira**	**Sri Lankan Rupees**
	Exchange rate on the last day of the financial year					**0.3704**	**0.3400**	**0.3704**
1	Share Capital (including Share Application money pending allotment)	17.92	0.44	488.85	8.50	8.06	0.33	16.59
2	Reserves	-	2.80	5.50	0.59	2.28	-	(3.00)
3	Liabilities	218.29	9.58	127.47	25.68	18.18	0.01	47.32
4	Total Liabilities	236.21	12.82	621.82	34.77	28.52	0.34	60.91
5	Total Assets	236.21	12.82	621.82	34.77	28.52	0.34	60.91
6	Investments(Details on pages 178 to 186)	-	-	481.90	1.51	-	-	-
7	Turnover	-	7.20	14.54	4.96	4.17	-	-
8	Profit before taxation	-	2.20	(9.39)	2.54	2.23	-	-
9	Provision for taxation	-	0.57	(6.27)	0.96	0.14	-	-
10	Profit after taxation	-	1.63	(3.12)	1.58	2.09	-	-
11	Proposed dividend-Equity	-	-	-	1.19	-	-	-
12	Proposed dividend-Preference	-	-	-	-	-	-	-

Sr. No.	Particulars	L&T Infrastructure Finance Company Limited	L&T Power Projects Limited	International Seaport Dredging Limited	L&T Modular Fabrication Yard LLC	Larsen & Toubro Saudi Arabia LLC	Larsen & Toubro Readymix Concrete Industries LLC	Larsen & Toubro (Jiangsu) Valve Company Limited
	Financial year ending on	**31-3-2008**	**31-3-2008**	**31-3-2008**	**31-12-2007**	**31-12-2007**	**31-12-2007**	**31-12-2007**
	Currency				**Omani Riyal**	**Saudi Riyal**	**UAE Dirham**	**Chinese Yuan Renminbi**
	Exchange rate on the last day of the financial year				**102.4425**	**10.5125**	**10.7325**	**5.4064**
1	Share Capital (including Share Application money pending allotment)	500.00	10.50	74.98	10.48	4.64	1.27	36.90
2	Reserves	50.15	-	10.70	(4.86)	(136.45)	(7.38)	(4.52)
3	Liabilities	1371.67	0.06	282.24	47.34	148.75	75.73	5.27
4	Total Liabilities	1921.82	10.56	367.92	52.96	16.94	69.62	37.65
5	Total Assets	1921.82	10.56	367.92	52.96	16.94	69.62	37.65
6	Investments(Details on pages 178 to 186)	59.91	10.30	-	-	-	-	-
7	Turnover	110.32	-	208.41	11.80	5.43	31.07	3.11
8	Profit before taxation	68.56	-	0.29	(4.91)	(44.61)	(7.52)	(4.52)
9	Provision for taxation	23.39	-	0.50	-	-	-	-
10	Profit after taxation	45.17	-	(0.21)	(4.91)	(44.61)	(7.52)	(4.52)
11	Proposed dividend-Equity	-	-	-	-	-	-	-
12	Proposed dividend-Preference	-	-	-	-	-	-	-

Information on Subsidiary Companies
(for the financial year or as on, as the case may be) *(contd.)*

Rs.crore

Sr. No.	Particulars	L&T Electricals Saudi Arabia Company Limited	L&T Kuwait Construction General Crontracting Company WLL	L&T (Qingdao) Rubber Machinery Company Limited	L&T-MHI Boilers Private Limited	L&T Uttaranchal Hydropower Limited	L&T Bangalore Airport Hotel Limited	L&T-Valdel Engineering Limited
	Financial year ending on	31-3-2008	31-12-2007	31-12-2007	31-3-2008	31-3-2008	31-3-2008	31-3-2008
	Currency	Saudi Riyal	Kuwaity Dinar	Chinese Yuan *Renminbi*				
	Exchange rate on the last day of the financial year	10.6975	143.9350	5.4064				
1	Share Capital (including Share Application money pending allotment)	22.29	32.02	25.40	29.70	0.05	72.00	1.31
2	Reserves	(3.22)	(3.87)	(0.38)	-	-	-	7.55
3	Liabilities	14.15	0.69	8.80	4.75	42.24	21.42	20.90
4	Total Liabilities	33.22	28.84	33.82	34.45	42.29	93.42	29.76
5	Total Assets	33.22	28.84	33.82	34.45	42.29	93.42	29.76
6	Investments(Details on pages 178 to 186)	-	-	-	10.04	-	-	9.96
7	Turnover	1.22	2.68	31.22	-	-	-	42.64
8	Profit before taxation	(0.18)	(0.66)	(0.38)	-	-	-	8.28
9	Provision for taxation	-	-	-	-	-	-	1.48
10	Profit after taxation	(0.18)	(0.66)	(0.38)	-	-	-	6.80
11	Proposed dividend-Equity	-	-	-	-	-	-	3.07
12	Proposed dividend-Preference	-	-	-	-	-	-	-

Sr. No.	Particulars	L&T Vision Ventures Limited	L&T Phoenix Infoparks Private Limited	Larsen & Toubro Electromech LLC	GDA Technologies Inc.	GDA Systems Private Limited	GDA Technologies Limited	L&T Power Development Limited
	Financial year ending on	31-3-2008	31-3-2008	31-12-2007	31-3-2008	31-3-2008	31-3-2008	31-3-2008
	Currency			Omani Riyal	USD			
	Exchange rate on the last day of the financial year			102.4425	40.1200			
1	Share Capital (including Share Application money pending allotment)	9.55	50.00	3.56	5.15	0.01	0.17	49.00
2	Reserves	-	(0.04)	3.16	(24.73)	(0.01)	24.55	(2.53)
3	Liabilities	0.85	107.07	117.41	36.58	0.08	3.23	13.53
4	Total Liabilities	10.40	157.03	124.13	17.00	0.08	27.95	60.00
5	Total Assets	10.40	157.03	124.13	17.00	0.08	27.95	60.00
6	Investments(Details on pages 178 to 186)	-	-	-	0.38	-	0.05	31.12
7	Turnover	-	0.73	241.96	53.56	0.05	15.67	-
8	Profit before taxation	-	(0.02)	(5.00)	(13.28)	(0.01)	(2.89)	(2.53)
9	Provision for taxation	-	0.02	-	0.85	-	0.32	-
10	Profit after taxation	-	(0.04)	(5.00)	(14.13)	(0.01)	(3.21)	(2.53)
11	Proposed dividend-Equity	-	-	-	-	-	-	-
12	Proposed dividend-Preference	-	-	-	-	-	-	-

Sr. No.	Particulars	Larsen & Toubro Atco Saudia LLC	L&T-Arun Excello Commercial Projects Private Limited	L&T-Gulf Private Limited	L&T Hitech City Limited	Hi Tech Rock Products & Aggregate Limited	L&T-MHI Turbine Generators Private Limited	Arun Excello Infrastructure Private Limited
	Financial year ending on	31-12-2007	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008
	Currency	Saudi Riyal						
	Exchange rate on the last day of the financial year	10.5125						
1	Share Capital (including Share Application money pending allotment)	1.08	0.96	1.24	19.23	0.05	10.10	18.37
2	Reserves	(0.03)	12.45	-	-	-	-	84.12
3	Liabilities	1.21	16.94	0.40	0.18	0.06	4.96	59.76
4	Total Liabilities	2.26	30.35	1.64	19.41	0.11	15.06	162.25
5	Total Assets	2.26	30.35	1.64	19.41	0.11	15.06	162.25
6	Investments(Details on pages 178 to 186)	-	-	-	-	-	9.89	-
7	Turnover	-	-	-	-	-	-	0.40
8	Profit before taxation	-	-	-	-	-	-	(0.43)
9	Provision for taxation	-	-	-	-	-	-	-
10	Profit after taxation	-	-	-	-	-	-	(0.43)
11	Proposed dividend-Equity	-	-	-	-	-	-	-
12	Proposed dividend-Preference	-	-	-	-	-	-	-

Information on Subsidiary Companies
(for the financial year or as on, as the case may be) *(contd.)*

Rs.crore

Sr.	Particulars	L&T Shipbuilding Limited	L&T Concrete Private Limited	L&T Transco Private Limited	L&T Realty Private Limited	L&T Strategic Management Limited	L&T Infra & Property Development Limited	Qingdao Larsen & Toubro Trading Company Limited
	Financial year ending on	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-12-2007
	Currency							Chinese Yuan Renminbi
	Exchange rate on the last day of the financial year							5.4064
1	Share Capital (including Share Application money pending allotment)	0.05	0.01	0.01	47.16	0.05	0.01	0.54
2	Reserves	-	-	-	-	-	-	(0.06)
3	Liabilities	4.07	-	0.06	2.14	-	-	2.45
4	*Total Liabilities*	4.12	0.01	0.07	49.30	0.05	0.01	2.94
5	Total Assets	4.12	0.01	0.07	49.30	0.05	0.01	2.94
6	Investments(Details on pages 178 to 186)	-	-	-	0.16	-	-	-
7	Turnover	-	-	-	-	-	-	2.24
8	Profit before taxation	-	-	-	-	-	-	(0.06)
9	Provision for taxation	-	-	-	-	-	-	-
10	Profit after taxation	-	-	-	-	-	-	(0.06)
11	Proposed dividend-Equity	-	-	-	-	-	-	-
12.	Proposed dividend-Preference	-	-	-	-	-	-	-

Sr. No.	Particulars	Offshore International FZC		L&T Realty FZE		L&T Seawoods Private Limited		L&T Chennai-Tada Tollway Private Limited
	Financial year ending on	31-12-2007		31-3-2008		31-3-2008		31-3-2008
	Currency	USD		AED				
	Exchange rate on the last day of the financial year	39.4150		10.9250				
1	Share Capital (including Share Application money pending allotment)	0.27		16.55		-		-
2	Reserves	0.07		-		-		-
3	Liabilities	197.10		-		-		-
4	Total Liabilities	197.44		16.55		-		-
5	Total Assets	197.44		16.55		-		-
6	Investments(Details on pages 178 to 186)	-		-		-		-
7	Turnover	-		-		-		-
8	Profit before taxation	-		-		-		-
9	Provision for taxation	-		-		-		-
10	Profit after taxation	-		-		-		-
11	Proposed dividend-Equity	-		-		-		-
12	Proposed dividend-Preference	-		-		-		-

Sr. No.	Particulars	L&T General Insurance Company Limited	L&T Siruseri Property Developers Limited	CSJ Infrastructure Private Limited	Bhilai Power Supply Company Limited	Andhra Pradesh Expositions Limited	Raykal Aluminium Company Private Limited	L&T South City Projects Limited
	Financial year ending on	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008	31-3-2008
	Currency							
	Exchange rate on the last day of the financial year							
1	Share Capital (including Share Application money pending allotment)	0.05	0.05	46.25	0.05	0.01	1.10	54.59
2	Reserves	-	-	128.33	-	-	-	68.49
3	Liabilities	0.02	-	330.14	8.85	0.02	0.08	25.07
4	Total Liabilities	0.07	0.05	504.72	8.90	0.03	1.18	148.15
5	Total Assets	0.07	0.05	504.72	8.90	0.03	1.18	148.15
6	Investments(Details on pages 178 to 186)	-	-	-	-	-	-	1.31
7	Turnover	-	-	-	-	-	-	-
8	Profit before taxation	-	-	-	-	-	-	-
9	Provision for taxation	-	-	-	-	-	-	-
10	Profit after taxation	-	-	-	-	-	-	-
11	Proposed dividend-Equity	-	-	-	-	-	-	-
12	Proposed dividend-Preference	-	-	-	-	-	-	-

A.M. NAIK
Chairman & Managing Director
Mumbai, May 29, 2008.

Annexure to Information on Subsidiary Companies

Details of Investments as at 31-3-2008/31-12-2007

Name of the Company	No of Shares/ Units/bonds	Face Value (Rupees)	Book-Value (Rs.crore)	Quoted/ Unquoted
L&T Finance Limited				
Long Term Investment (at cost):				
Government Securities:				
12% National Saving Certificates 2002(Rs.4000)	40	100	0.00	Unquoted
Subsidiary Companies:				
Fully Paid Equity Shares:				
L&T Capital Company Limited	1,69,99,997	10	17.00	Unquoted
L&T General Insurance Company Limited	50,000	10	0.05	Unquoted
Other Company:				
Fully Paid Equity Shares:				
NAC Infrastructure Equipment Limited	45,00,000	10	4.50	Unquoted
Current Investment:				
Fully Paid Equity Shares:				
Metropoli Overseas Limited	99,400	10	0.15	Unquoted
Anil Chemicals and Industries Limited	40,000	10	0.08	Unquoted
Elque Polyesters Limited	1,94,300	10	0.19	Unquoted
Monnet Industries Limited	18,800	10	0.08	Unquoted
ICNET Limited	3,83,334	10	0.12	Unquoted
Mutual Fund:				
Principal CMF-Liquid Option-Institutional Premium-Daily Dividend	1,50,01,817	10	15.00	Unquoted
Other investments:				
LTF Securitisation Trust 2002(Rs.1000)	100	10	0.00	Unquoted
SUB-TOTAL			**37.17**	
Less: Provision for diminution in value of investments			0.50	
TOTAL			**36.67**	
Larsen &Toubro Infotech Limited				
Long Term Investment (at cost):				
Subsidiary Companies:				
Fully Paid Equity Shares:				
Larsen & Toubro Infotech GmbH	1	Euro 25000	0.11	Unquoted
Larsen & Toubro Information Technology Canada Limited	100	CAD 1 each	0.66	Unquoted
GDA Technologies Inc.USA,(at no par Value)	10	-	120.32	Unquoted
Current Investment:				
Mutual Funds:				
Birla Cash Plus-Institutional Premium-Growth	80,91,682	10	10.00	Unquoted
ICICI Prudential Institutional Liquid Plan-Super Institutional-Growth	70,20,504	10	8.12	Unquoted
ICICI Prudential Flexible Income Plan-Growth	34,81,989	10	5.04	Unquoted
Mirae Assets Liquid Fund-Institutional-Growth Option	19,870	1000	2.00	Unquoted
Principal Liquid Plus Fund-Growth Option	27,02,335	10	2.79	Unquoted
UTI Liquid Cash Plan Institutional-Growth Option	61,653	1000	7.80	Unquoted
BSL Quarterly Interval-Series 2-Growth	19,56,105	10	2.00	Unquoted
BSL Quarterly Interval-Series 8-Growth	20,00,000	10	2.00	Unquoted
BSL Quarterly Interval-Series 7-Growth	20,00,000	10	2.00	Unquoted
1031 ICICI Prudential FMP Series 41-19 Months	20,00,000	10	2.00	Unquoted
ICICI Prudential Interval Plan iii Institutional Cumulative	30,00,000	10	3.00	Unquoted

LARSEN & TOUBRO
It's all about Imagineering

Annexure to Information on Subsidiary Companies

Details of Investments as at 31-3-2008/31-12-2007

Name of the Company	No of Shares/ Units/bonds	Face Value (Rupees)	Book- Value (Rs.Crore)	Quoted/ Unquoted
Larsen & Toubro Infotech Limited *(contd.)*				
ICICI Prudential Fmp Series 39-Six Months Plan A Retail Cumulative	50,00,000	10	5.00	Unquoted
ICICI Prudential Fmp Series 42-Three Months Plan C Retail Growth	20,00,000	10	2.00	Unquoted
Tata Dynamic Bond Fund-Option A-Growth	38,43,345	10	5.00	Unquoted
UTI Fixed Income Interval Fund-Quaterly Plan Series iii-Institutional Growth Plan	19,59,958	10	2.00	Unquoted
UTI Fixed Maturity Plan Yearly Series Yfmp/0807-Institutional Growth	20,00,000	10	2.00	Unquoted
Fixed Income Interval Fund-Half Yealy Interval Plan Series-I-Institutional Growth Plan	30,00,000	10	3.00	Unquoted
UTI Fixed Maturity Plan-QFMP(02/08-I) Institutional Growth Plan	50,00,000	10	5.00	Unquoted
TOTAL			**191.84**	
India Infrastructure Developers Limited				
Long Term Investment (at cost):				
Bonds:				
5.5% Tax Free SIDBI CG Bonds	35,000	10000	35.00	Unquoted
Subsidiary Company:				
Fully Paid Equity Shares:				
Raykal Aluminium Company Private Limited	40,000	10	0.04	Unquoted
TOTAL			**35.04**	
L&T Infocity Limited				
Long Term Investment (at cost):				
Subsidiary Companies:				
Fully Paid Equity Shares:				
Hyderabad International Trade Exposition Limited	80,69,996	10	8.12	Unquoted
L&T Infocity Lanka Private Limited	91,00,000	Srilankan Rs.10	4.23	Unquoted
L&T Infocity Infrastructure Limited	43,35,000	10	4.33	Unquoted
L&T Hitech City Limited	1,42,30,770	10	14.23	Unquoted
Associate Company:				
Fully Paid Equity Shares:				
Vizag IT Park Limited	23,40,000	10	2.34	Unquoted
Current Investment:				
Mutual Fund:				
HDFC Floating Rate Income Fund-Short Term Plan	69,43,824	10	7.26	Unquoted
Principal Cash Management Fund-Liquid Option-IP-Growth	3,38,940	1000	0.45	Unquoted
Principal Cash Management Fund-Liquid Option-Growth	2,42,861	10	0.37	Unquoted
RLF-Treasury Plan-10-Growth	10,92,263	10	0.51	Unquoted
SBI Magnum Institutional Income Fund Savings Growth	73,30,615	10	2.75	Unquoted
TOTAL			**44.59**	

Annexure to Information on Subsidiary Companies

Details of Investments as at 31-3-2008/31-12-2007

Name of the Company	No of Shares/ Units/bonds	Face Value (Rupees)	Book- Value (Rs.Crore)	Quoted/ Unquoted
Larsen & Toubro International FZE (as at 31-12-2007)				
Long Term Investment (at cost):				
Subsidiary Companies:				
Fully Paid Equity Shares:				
Larsen & Toubro Saudi Arabia LLC	3,800	Saudi Riyal 1000 each	-	Unquoted
Larsen & Toubro Electromech LLC	1,95,000	Omani Riyal 1 each	2.68	Unquoted
Larsen & Toubro (Oman) LLC	2,36,786	Omani Riyal 1 each	6.92	Unquoted
Larsen & Toubro Qatar LLC	98	Qatari Riyal 1000 each	0.11	Unquoted
L&T-ECC Construction (M) Sdn. Bhd	2,25,000	Malaysian Ringitt 1 each	0.01	Unquoted
L&T Overseas Projects Nigeria Limited	99,99,998	Naira 1 each	0.28	Unquoted
L&T Modular Fabrication Yard LLC	6,50,000	Omani Riyal 1 each	6.66	Unquoted
Larsen & Toubro Kuwait Construction General Contracting Company WLL	980	Kuwaiti Dinar 1000 each	13.46	Unquoted
L&T Electricals Saudi Arabia Company Limited	13,500	Saudi Riyal 1000 each	14.20	Unquoted
Larsen & Toubro Readymix Concrete Industries LLC	490	AED 1000 each	0.53	Unquoted
Larsen & Toubro (Qingdao) Rubber Machinery Company Limited	-	-	22.47	Unquoted
Larsen & Toubro (Jiangsu) Value Company Limited	-	-	22.40	Unquoted
Offshore International FZC	150	AED 1000 each	0.16	Unquoted
Larsen & Toubro (Wuxi) Electric Company Limited	-	USD 54,99,999	23.97	Unquoted
Associate Company:				
Fully Paid Equity Shares:				
L&T Camp Facilities LLC	-	AED 24,50,000	2.63	Unquoted
TOTAL			**116.48**	

Name of the Company	No of Shares/ Units/bonds	Face Value (Rupees)	Book- Value (Rs.Crore)	Quoted/ Unquoted
Narmada Infrastructure Construction Enterprise Limited				
Current Investments:				
Mutual Fund:				
HDFC Cash Management Fund-Saving Plus-Wholesale	47,49,829	10	4.76	Unquoted
HSBC Liquid Plus-Institutional-Daily Dividend	70,06,673	10	7.02	Unquoted
HDFC FMP 367D Sept 2007	10,10,000	10	1.01	Unquoted
TOTAL			**12.79**	

Name of the Company	No of Shares/ Units/bonds	Face Value (Rupees)	Book- Value (Rs.Crore)	Quoted/ Unquoted
L&T Transportation Infrastructure Limited				
Current Investments:				
Mutual Fund:				
ABN AMRO Money Plus Institutional Plan Daily Dividend	52,68,065	10	5.27	Unquoted
HDFC FMP 1810 December 2007(vi)-Wholesale Plan Dividend	70,02,032	10	7.00	Unquoted
HSBC Liquid Plus-Institutional Plus-Daily Dividend	1,17,17,924	10	11.73	Unquoted
Sundaram BNP Paribas Liquid Plus Institutional Dividend Reinvestment Daily	43,51,563	10	4.36	Unquoted
ING Floating Rate Fund-Daily Dividend	48,38,538	10	5.00	Unquoted
TOTAL			**33.36**	

LARSEN & TOUBRO
It's all about Imagineering

Annexure to Information on Subsidiary Companies

Details of Investments as at 31-3-2008/31-12-2007

Name of the Company	No of Shares/ Units/bonds	Face Value (Rupees)	Book- Value (Rs.Crore)	Quoted/ Unquoted
L&T-Sargent and Lundy Limited				
Current Investments:				
Mutual Fund:				
HDFC Floating Rate Income Fund-ST Plan-Growth	5,08,603	10	0.61	Unquoted
Templeton Floating Rate Income Fund STP-Growth	73,833	10	0.09	Unquoted
Birla Sun Life-Qtly Interval-Series7-Dividend Payout-FMP(3)	3,00,000	10	0.30	Unquoted
Birla Sun Life-Liquid Plus Institutional-FN Dividend-Reinvestment	9,58,693	10	1.01	Unquoted
Birla Sun Life-Interval Income-Institutional-Qtly-S3-Dividend Payout FMP(3)	10,00,000	10	1.00	Unquoted
Birla Cash Plus-Institutional-Fornightly Dividend-Payout	13,82,208	10	1.50	Unquoted
TOTAL			**4.51**	
L&T Western India Tollbridge Limited				
Current Investments:				
Mutual Fund:				
HSBC Liquid Plus-Institutional-Daily Dividend	1,02,88,099	10	10.30	Unquoted
SBI Premier Liquid Fund Institutional Daily Dividend	10,20,849	10	1.02	Unquoted
TOTAL			**11.32**	
L&T Infrastructure Development Projects Limited				
Long Term Investment (at cost):				
Subsidiary Companies:				
Fully Paid Equity Shares:				
L&T Transportation Infrastructure Limited	3,05,36,000	10	53.14	Unquoted
Narmada Infrastructure Construction Enterprise Limited	3,47,01,500	10	63.90	Unquoted
L&T Interstate Road Corridor Limited	1,79,17,164	10	17.91	Unquoted
L&T Krishnagiri Thopur Toll Road Limited	7,87,50,000	10	78.75	Unquoted
L&T Panipat Elevated Corridor Limited	8,05,58,600	10	80.56	Unquoted
L&T Vadodara Bharuch Tollway Limited	4,35,00,000	10	43.50	Unquoted
L&T Western Andhra Tollways Limited	3,91,67,200	10	39.17	Unquoted
L&T Urban Infrastructure Limited	7,50,00,000	10	75.00	Unquoted
L&T Infrastructure Development Projects Lanka (Private) Limited	3,50,00,020	Srilankan Rs.10	15.72	Unquoted
International Seaports (India) Private Limited (Rs.45)	25,00,560	10	-	Unquoted
Fully Paid Preference Shares:				
L&T Urban Infrastructure Limited	29,16,35,500	10	291.64	Unquoted
Associate Companies:				
Fully Paid Equity Shares:				
International Seaports Haldia (Private) Limited	98,30,000	10	9.83	Unquoted
Second Vivekananda Bridge Tollway Company Private Limited	3,23,50,000	10	32.35	Unquoted
Kakinada Seaports Limited	2,05,50,955	10	20.59	Unquoted
Gammon-L&T Infra MRTS Limited	5,000	100	0.05	Unquoted
Ennore Tank Terminals Private Limited	1,17,65,000	10	11.76	Unquoted
Jointly Controlled entity:				
Fully Paid Equity Shares:				
The Dhamra Port Company Limited	12,35,59,066	10	123.56	Unquoted

Annexure to Information on Subsidiary Companies

Details of Investments as at 31-3-2008/31-12-2007

Name of the Company	No of Shares/ Units/bonds	Face Value (Rupees)	Book- Value (Rs.Crore)	Quoted/ Unquoted
L&T Infrastructure Development Projects Limited *(contd.)*				
Other Companies:				
Fully Paid Equity Shares:				
Bangalore International Airport Limited	5,55,39,000	10	55.54	Unquoted
Sical Iron Ore Terminals Limited	6,05,000	10	0.60	Unquoted
Preference Shares of Associate Company:				
Second Vivekananda Bridge Tollway Company Private Limited	1,00,00,000	10	10.00	Unquoted
Current Investment:				
Bonds:				
Rural Electrification Corporation Limited-5.25% NCR taxable Bonds	500	10000	0.50	Unquoted
TOTAL			**1024.07**	
Cyber Park Development And Construction Limited				
Current Investments:				
Mutual Fund:				
HDFC Cash Management Fund-Savings Plus-Daily Dividend	53,66,392	10	5.38	Unquoted
HSBC Liquid Plus Institutional Daily Dividend Reinvestment	39,37,373	10	3.94	Unquoted
TOTAL			**9.32**	
L&T Capital Company Limited				
Long Term Investment (at cost):				
Other Companies:				
Fully Paid Equity Shares:				
Aplab Limited	1,40,329	10	1.23	Quoted
Genus Power Infrastructure Limited	19,471	10	0.48	Quoted
Jyoti Limited	5,59,437	10	6.04	Quoted
Salzer Electronics Limited	9,15,808	10	8.88	Quoted
TNJ Moduletech Private Limited	8,00,000	10	0.80	Unquoted
Salzer Cables Limited	74,48,000	10	7.45	Unquoted
Rangsons Electronics Limited	10,65,000	5	0.53	Unquoted
Feedback Ventures Private Limited	37,90,000	10	37.90	Unquoted
B.Seeniah & Co.(Projects) Limited	3,05,808	10	35.05	Unquoted
TOTAL			**98.36**	
Hyderabad International Trade Expositions Limited				
Long Term Investment (at cost):				
Subsidiary Company:				
Fully Paid Equity Shares:				
Andhra Pradesh Expositions Private Limited	10,000	10	0.01	Unquoted
TOTAL			**0.01**	

Annexure to Information on Subsidiary Companies

Details of Investments as at 31-3-2008/31-12-2007

Name of the Company	No of Shares/ Units/bonds	Face Value (Rupees)	Book- Value (Rs.Crore)	Quoted/ Unquoted
Tractor Engineers Limited				
Long Term Investment (at cost):				
Fully Paid Equity Shares:				
Larsen & Toubro Saudi Arabia LLC(Rs.17478)	200	SAR-1000 each	-	Unquoted
Larsen & Toubro LLC	2,500	USD-1 each	0.01	Unquoted
Bonds:				
6.75% Tax Free US 64	21,575	100	0.22	Quoted
TOTAL			**0.23**	
Larsen & Toubro Qatar LLC (as at 31-12-2007)				
Long Term Investment (at cost):				
Joint Venture:				
Larsen & Toubro Qatar & HBK Contracting Co WLL-JV	-	QTR 100000	0.11	*Unquoted*
TOTAL			**0.11**	
L&T Panipat Elevated Corridor Limited				
Current Investments:				
Mutual Fund				
SBI-Premier Liquid Fund	71,18,566	10	7.14	Unquoted
TOTAL			**7.14**	
L&T Tech Park Limited				
Current Investments:				
Mutual Fund:				
L1471D SBI-SHF-Liquid Plus-Institutional Plan-Daily Dividend	9,92,394	10	0.99	Unquoted
HSBC Liquid Plus Fund-Institutional-Daily Dividend UCC-MFHSBC0028	5,25,505	10	0.53	Unquoted
1314 ING Liquid Plus Fund-Institutional-Daily Dividend	24,523	10	4.61	Unquoted
TOTAL			**6.13**	
L&T Urban Infrastructure Limited				
Long Term Investment (at cost):				
Subsidiary Companies:				
Fully Paid Equity Shares:				
L&T Infocity Limited	2,40,30,000	10	16.02	Unquoted
L&T Phoenix Infoparks Private Limited	2,55,00,000	10	25.50	Unquoted
Cyberpark Development & Construction Limited	5,10,000	10	0.51	Unquoted
L&T Tech Park Limited	1,17,30,000	10	11.73	Unquoted
L&T South City Projects Limited	2,63,04,920	10	64.28	Unquoted
L&T Bangalore Airport Hotel Limited	5,32,80,000	10	53.28	Unquoted
L&T Vision Ventures Limited	33,995	10	0.03	Unquoted
CSJ Infrastructure Private Limited	3,21,23,000	10	160.45	Unquoted
L&T-Arun Excello Commercial Projects Private Limited	4,89,600	10	12.94	Unquoted
Arun Excello Infrastructue Private Limited	93,67,347	10	71.92	Unquoted

Annexure to Information on Subsidiary Companies

Details of Investments as at 31-3-2008/31-12-2007

Name of the Company	No of Shares/ Units/bonds	Face Value (Rupees)	Book- Value (Rs.Crore)	Quoted/ Unquoted
L&T Urban Infrastructure Limited *(contd.)*				
Fully Paid Preference Shares:				
L&T Tech Park Limited	28,05,000	10	5.61	Unquoted
Associate Companies:				
Fully Paid Equity Shares:				
L&T-Cross Roads Private Limited	90,00,000	10	9.00	Unquoted
L&T-Arun Excello Realty Private Limited	3,16,800	10	29.14	Unquoted
Joint Controlled entity:				
Fully Paid Equity Shares:				
L&T Bombay Developers Private Limited (Rs.50,000)	5,000	10	-	Unquoted
Current Investments:				
Mutual Fund:				
HDFC Cash Management Fund-Savings Plus Plan-Wholesale-Daily Dividend	3,51,15,096	10	3.98	Unquoted
HSBC Liquid Plus-Institutional Plus-Daily Dividend	3,51,30,663	10	2.17	Unquoted
28Q ICICI Prudential-Flexible Income Plan-Daily Dividend	48,15,998	10	5.09	Unquoted
ING liquid Plus Fund-Institutional-Daily Dividend	2,76,46,239	10	6.16	Unquoted
Tata Floater Fund-Daily Dividend	50,71,143	10	4.09	Unquoted
TOTAL			**481.90**	
L&T Infocity Infrastructure Limited				
Current Investments:				
Mutual Fund:				
UTI Liquid Cash Plan Institutional-Daily Income Plan-Reinvested	14,806	1000	1.51	Unquoted
TOTAL			**1.51**	
L&T Infrastructure Finance Company Limited				
Long Term Investment (at cost):				
B. Seenaiah & Company (Projects)Limited	2,18,150	10	25.00	Unquoted
Current Investments:				
Mutual Fund:				
Grindlays Floating Rate Fund-Long Term-Inst Plan-B-Daily Dividend	18,99,379	10	1.90	Unquoted
Principal Floating Rate Fund-FMP-Inst Option-Dividend Reinvest	3,29,65,756	10	33.01	Unquoted
TOTAL			**59.91**	

Annexure to Information on Subsidiary Companies

Details of Investments as at 31-03-2008/31-12-2007

Name of the Company	No of Shares/ Units/bonds	Face Value (Rupees)	Book- Value (Rs.Crore)	Quoted/ Unquoted
L&T Power Projects Limited				
Long Term Investment (at cost):				
Subsidiary Companies:				
Fully Paid Equity Shares:				
L&T-MHI Boilers Private Limited	51,51,000	10	5.15	Unquoted
L&T-MHI Turbine Generators Private Limited	51,51,000	10	5.15	Unquoted
TOTAL			**10.30**	
L&T-MHI Boilers Private Limited				
Current Investments:				
Mutual Fund:				
ICICI Prudential Mutual Fund-FRP Plan-B	5,21,546	10	0.52	Unquoted
Tata Dynamic Bond Fund-Plan-B	93,43,496	10	9.52	Unquoted
TOTAL			**10.04**	
L&T-Valdel Engineering Limited				
Current Investments:				
Mutual Fund:				
Birla Floating Rate Fund Long Term	1,51,878	10	0.15	Unquoted
Birla Income Plus Fund	9,22,624	10	0.98	Unquoted
BSL Quarterly Interval Series IV Dividend Payout	*15,02,456*	*10*	*1.50*	*Unquoted*
DSP ML Savings Plus Fund Aggressive	3,35,938	10	0.50	Unquoted
DSPML Strategic Bond Fund	2,611	1000	0.25	Unquoted
DSP Tiger Fund Growth	44,692	10	0.18	Unquoted
DWS Money Plus Fund	8,65,455	10	0.87	Unquoted
DWS Money Plus Advantage Fund	10,20,438	10	1.03	Unquoted
HSBC MIP Savings Plan	4,39,153	10	0.49	Unquoted
HSBC Liquid Plus Fund	7,31,910	10	0.73	Unquoted
J P Morgan India Equity Fund	1,46,699	10	0.15	Unquoted
Reliance Fixed Horizon Fund	24,62,054	10	2.46	Unquoted
Tata Balanced Fund	99,101	10	0.41	Unquoted
Tata Infrastructure Fund	80,156	10	0.26	Unquoted
TOTAL			**9.96**	
GDA Technologies Inc.				
Long Term Investment (at cost):				
Subsidiary Company:				
Fully Paid Equity Shares:				
GDA Technologies Limited	1,67,234	10	0.17	Unquoted
Current Investment:				
Fully Paid Equity Shares:				
Arkados	150,000	12	0.18	Unquoted
Citirix System	114	1090	0.01	Quoted
TOTAL			**0.36**	

Annexure to Information on Subsidiary Companies

Details of Investments as at 31-03-2008/31-12-2007

Name of the Company	No of Shares/ Units/bonds	Face Value (Rupees)	Book- Value (Rs.Crore)	Quoted/ Unquoted
GDA Technologies Limited India				
Long Term Investment (at cost):				
Subsidiary Company:				
Fully Paid Equity Shares:				
GDA Systems Private Limited	10,000	10	0.01	Unquoted
Current Investments:				
Mutual Fund:				
Templeton India Treasury Management Account Institutonal Plan Franklin Templeton-FRIL-LT-DP	38,339	10	0.04	Unquoted
TOTAL			**0.05**	
L&T Power Development Limited				
Long Term Investment (at cost):				
Subsidiary Company:				
Fully Paid Equity Shares:				
L&T Uttaranchal Hydropower Limited	49,994	10	0.05	Unquoted
Other Investments:				
Fully Paid Equity Shares:				
Everest Power Private Limited	1,00,00,000	10	10.02	Unquoted
Konaseema Gas Power Limited	2,10,00,000	10	21.05	Unquoted
TOTAL			**31.12**	
L&T-MHI Turbine Generators Private Limited				
Current Investments:				
Mutual Fund:				
UTI Liquid Fund Cash Plan (Dividend Reinvestment)	97,033	1019	9.89	Unquoted
TOTAL			**9.89**	
L&T Realty Private Limited				
Long Term Investment (at cost):				
Subsidiary Company:				
Fully Paid Equity Shares:				
L&T Realty FZE	1	AED-150000	0.16	Unquoted
TOTAL			**0.16**	
L&T South City Projects Limited				
Long Term Investment (at cost):				
Subsidiary Company:				
Fully Paid Equity Shares:				
L&T Siruseri Property Developers Limited	50,000	10	0.05	Unquoted
Current Investments:				
Mutual Fund:				
TTMHSD TATA Treasury Manager Ship Daily Dividend	12,533	1000	1.26	Unquoted
TOTAL			**1.31**	

Consolidated Financial Statements 2007-2008

Auditors' report to the Board of Directors of Larsen & Toubro Limited on consolidated financial statements

We have examined the attached consolidated balance sheet of Larsen & Toubro Limited and its subsidiaries, associates and joint ventures (the L&T Group) as at March 31, 2008 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

In respect of the financial statements of certain subsidiaries, we carried out the audit jointly with other auditors. The details of assets and revenues in respect of these subsidiaries to the extent to which they are reflected in the consolidated financial statements are given below:

Rs.crore

	Total assets	Total revenues
Indian subsidiaries	896.35	Nil

In respect of the financial statements of certain subsidiaries, associates and joint ventures, we did not carry out the audit. These financial statements have been audited/reviewed by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, associates and joint ventures is based solely on the reports of the other auditors. The details of assets and revenues in respect of these subsidiaries and joint ventures and the net carrying cost of investment and current year/period share of profit or loss in respect of these associates, to the extent to which they are reflected in the consolidated financial statements are given below:

Audited by other auditors:

Rs.crore

		Total assets	Total revenues
A	Indian subsidiaries	2106.53	298.57
B	Foreign subsidiaries	1277.37	2085.66
C	Joint ventures	293.75	99.51
		Net carrying cost of investment	**Current year/period share of profit/(loss)**
D	Associates	51.73	19.77

We further report that in respect of certain subsidiaries, associates and joint ventures we did not carry out the audit. These financial statements have been certified by management and have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, associates and joint ventures, are based solely on these certified financial statements.

Since the said financial statements for the financial year ended March 31, 2008, which were compiled by management of these companies, were not audited, any adjustments to their balances could have consequential effects on the attached consolidated financial statements. However, the size of these subsidiaries, associates and joint ventures in the consolidated position is not significant in relative terms. The details of assets and revenues in respect of these subsidiaries and the net carrying cost of investment and current year/period share of profit or loss in respect of these associates, to the extent to which they are reflected in the consolidated financial statements are given below:

Certified by management:

Rs.crore

		Total assets	Total revenues
A	Indian subsidiaries	201.88	208.82
B	Foreign subsidiaries	35.62	1.24
C	Joint ventures	81.10	9.95
		Net carrying cost of investment	**Current year/period share of profit/(loss)**
D	Associates	133.63	(5.23)

We report that, the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21, 'Consolidated Financial Statements', (AS) 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' and (AS) 27, 'Financial Reporting of Interests in Joint Ventures' notified by the Companies (Accounting Standard) Rules, 2006 and on the basis of the separate audited/certified financial statements of the L&T Group included in the consolidated financial statements.

We report that on the basis of the information and according to the explanations given to us, and on the consideration of the separate audit report on individual audited financial statements of the L&T Group, we are of the opinion that the said consolidated financial statements, read together with significant accounting policies in schedule Q and notes appearing thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of the consolidated balance sheet, of the state of affairs of the L&T Group as at March 31, 2008;

b) in the case of the consolidated profit and loss account of the consolidated results of operations of the L&T Group for the year ended on that date; and

c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the L&T Group for the year ended on that date.

SHARP & TANNAN
Chartered Accountants
by the hand of

F.M. KOBLA
Partner
Membership No.15882

Mumbai, May 29, 2008

Consolidated Balance Sheet as at March 31, 2008

	Schedules		As at 31-3-2008 Rs.crore	As at 31-3-2008 Rs.crore	As at 31-3-2007 Rs.crore	As at 31-3-2007 Rs.crore
SOURCES OF FUNDS:						
SHAREHOLDERS' FUNDS:						
Share capital	A		58.47		56.65	
Reserves and surplus	B		10628.33		6785.49	
Employee stock option outstanding		317.97				
(Previous year Rs.165.53 crore)						
Less: Deferred employee compensation expense		173.66				
(Previous year Rs.86.12 crore)			144.31		79.41	
				10831.11		6921.55
Minority interest				922.62		645.70
LOAN FUNDS:						
Secured loans	C		6560.14		3109.04	
Unsecured loans	D		5755.83		3323.18	
				12315.97		6432.22
Deferred Tax Liabilities [See Note No.23]				327.04		274.70
TOTAL				24396.74		14274.17
APPLICATION OF FUNDS:						
Fixed Assets						
Tangible Assets	E (i)					
Gross block			7090.04		5560.90	
Less: Depreciation and Impairment			1870.88		1720.42	
Net block			5219.16		3840.48	
Less: Lease adjustment			239.36		217.66	
			4979.80		3622.82	
Capital work-in-progress (net of Impairment)			1311.47		485.30	
				6291.27		4108.12
Intangible Assets	E (ii)					
Gross block			783.68		553.40	
Less: Amortisation and Impairment			293.16		191.81	
Net block			490.52		361.59	
Capital work-in-progress (net of Impairment)			1741.60		970.02	
				2232.12		1331.61
Fixed Assets held for sale (at lower of cost or estimated realisable value)				0.08		0.27
Investments	F			5552.28		2478.28
Deferred tax assets [See Note No.23]				205.32		167.29
Current Assets, Loans and Advances:	G					
Inventories			5019.00		3677.97	
Sundry debtors			8234.36		6110.37	
Cash and bank balances			1560.78		1718.02	
Other Current Assets			38.62		34.28	
Loans and advances			10835.58		5172.67	
			25688.34		16713.31	
Less: Current Liabilities and Provisions:	H					
Liabilities			13355.19		9193.21	
Provisions			2246.02		1348.58	
			15601.21		10541.79	
Net current assets				10087.13		6171.52
Miscellaneous expenditure (to the extent not written-off or adjusted)	I			28.54		17.08
TOTAL				24396.74		14274.17
CONTINGENT LIABILITIES	J					
SIGNIFICANT ACCOUNTING POLICIES	Q					

(For Notes forming part of Accounts see page Nos. 209 to 229)

A.M. NAIK
Chairman & Managing Director

As per our report attached

SHARP & TANNAN
Chartered Accountants
by the hand of
F.M. KOBLA
Partner
Membership No.15882

Mumbai, May 29, 2008

N. HARIHARAN
Company Secretary

J.P. NAYAK
Y.M. DEOSTHALEE
K. VENKATARAMANAN
K. V. RANGASWAMI

V.K. MAGAPU
M. V. KOTWAL
S. RAJGOPAL
S.N. TALWAR

M. M. CHITALE
THOMAS MATHEW T.
N. MOHANRAJ
SUBODH BHARGAVA
BHAGYAM RAMANI

Directors

Mumbai, May 29, 2008

LARSEN & TOUBRO
It's all about Imagineering

Consolidated Profit and Loss Account for the year ended March 31, 2008

	Schedules	2007-2008 Rs.crore	2007-2008 Rs.crore	2006-2007 Rs.crore	2006-2007 Rs.crore
INCOME:					
Sales & Service (Gross)	K	29561.11		20700.49	
Less: Excise duty		362.61		364.46	
Sales & Service (Net)			29198.50		20336.03
Other operational income	L (i)		151.88		176.83
Other income	L (ii)		418.96		785.67
Interest income	L (iii)		113.56		108.05
			29882.90		21406.58
EXPENDITURE:					
Manufacturing, construction and operating expenses	M	21979.35		15125.11	
Staff expenses	N	2049.43		1488.20	
Sales, administration and other expenses	O	1734.07		1288.54	
Interest and brokerage	P	203.11		158.44	
Depreciation, obsolescence and impairment of tangible assets		408.30		301.13	
Amortisation and impairment of intangible assets		103.47		45.17	
		26477.73		18406.59	
Less: Overheads charged to fixed assets		11.42		3.60	
			26466.31		18402.99
Profit before transfer from Revaluation reserve			3416.59		3003.59
Add: Transfer from Revaluation reserve			2.03		1.44
Profit before tax			3418.62		3005.03
Provision for current taxes [See Note No.22(a)]		1039.27		719.54	
Provision for deferred tax [See Note No.23]		31.74		(6.98)	
Provision for tax on Fringe Benefits [See Note No.22(b)]		76.11		20.16	
			1147.12		732.72
Profit after tax			2271.50		2272.31
Less: Additional tax on dividend distributed/proposed by Subsidiary Companies (including proportionate share in respect of Incorporated Joint Ventures)			13.68		11.10
			2257.82		2261.21
Add: Share in profit/(loss) (net) of Associate Companies			135.83		95.08
			2393.65		2356.29
Less: Minority interest in net income			68.29		116.15
Profit after Minority Interest			2325.36		2240.14
Less: Operating result of acquired entity for previous year (net of tax)		-		2.49	
Dividend paid for the previous year		0.66		5.61	
Additional tax on dividend paid for the previous year		0.11		0.79	
			0.77		8.89
Profit available for appropriation			2324.59		2231.25
Less: Transfer to Reserve u/s 45 IC of the RBI Act, 1934			33.20		12.60
Transfer to Tonnage Tax Reserve			-		0.99
Transfer to Reserve u/s 36(1)(viii) of the Income Tax Act, 1961			1.77		-
Profit available for distribution			2289.62		2217.66
Interim dividend			56.83		311.60
Proposed final dividend			438.49		56.65
Additional tax on dividend			76.26		53.34
Balance carried to Balance Sheet			1718.04		1796.07
Basic Earnings Per Equity Share (Rupees)	[See Note No.19]		80.87		80.19
Diluted Earnings Per Equity Share (Rupees)	[See Note No.19]		77.90		77.36
Face Value Per Equity Share (Rupees)			2.00		2.00
SIGNIFICANT ACCOUNTING POLICIES	Q				

(For Notes forming part of Accounts, see page Nos. 209 to 229)

A.M. NAIK
Chairman & Managing Director

As per our report attached

SHARP & TANNAN
Chartered Accountants
by the hand of
F.M. KOBLA
Partner
Membership No.15882

Mumbai, May 29, 2008

N. HARIHARAN
Company Secretary

J.P. NAYAK
Y.M. DEOSTHALEE
K. VENKATARAMANAN
K. V. RANGASWAMI

V.K. MAGAPU
M. V. KOTWAL
S. RAJGOPAL
S.N. TALWAR

M. M. CHITALE
THOMAS MATHEW T.
N. MOHANRAJ
SUBODH BHARGAVA
BHAGYAM RAMANI

Directors

Mumbai, May 29, 2008

Consolidated Cash Flow Statement for the year ended March 31, 2008

	2007-2008 Rs.crore	2006-2007 Rs.crore
A. Cash flow from Operating Activities:		
Profit before tax	3418.62	3005.03
Adjustments for:		
Dividend Received	(152.10)	(166.25)
Depreciation (including obsolescence), amortisation and impairment	509.74	344.86
Lease Equalisation	21.70	32.66
Unrealised foreign exchange (gain)/loss including that on fair valuation of derivatives	222.18	(41.04)
Interest (net)	89.55	50.39
(Profit)/Loss on sale of fixed assets (net)	(20.21)	(17.64)
(Profit)/Loss on sale of investments (net)	(117.35)	(461.17)
Employee Stock Option-discount forming part of Staff Expenses	101.12	85.61
Provision/(Reversal) for diminution in value of investments	22.56	12.23
Operating profit before working capital changes	4095.81	2844.68
Adjustments for:		
(Increase)/Decrease in trade and other receivables	(6793.86)	(2698.00)
(Increase)/Decrease in inventories	(1347.35)	(1172.54)
(Increase)/Decrease in miscellaneous expenditure	(11.42)	6.95
Increase/(Decrease) in trade payables	3985.55	4082.04
Cash generated (used in)/from operations	(71.27)	3063.13
Direct taxes refund/(paid)-net	(1167.95)	(738.74)
Net Cash (used in)/from Operating Activities	(1239.22)	2324.39
B. Cash flow from Investing Activities:		
Purchase of fixed assets	(3959.14)	(2688.96)
Sale of fixed assets	336.93	67.79
Purchase of investments	(55660.09)	(24074.19)
Sale of investments	52461.21	23899.70
Loans/Deposits made with associates and third parties (net)	33.59	46.51
Advance towards equity commitment	(10.68)	-
Interest received	109.23	98.76
Dividend received from Associates	12.98	37.42
Dividend received from other investments	152.10	166.25
Cash & Cash Equivalents acquired pursuant to acquisition of subsidiaries	3.77	12.72
Cash & Cash Equivalents discharged pursuant to disposal of a subsidiary	(10.39)	-
Consideration paid on acquisition of subsidiaries	(84.85)	(128.49)
Net Cash (used in)/from Investing Activities	(6615.34)	(2562.49)
C. Cash flow from Financing Activities:		
Proceeds from issue of share capital	1701.58	23.94
Proceeds from long term borrowings	4236.36	1715.85
Repayment of long term borrowings	(944.38)	(674.66)
(Repayments)/Proceeds from other borrowings (net)	2838.04	531.85
Payment (to)/from Minority Interest	177.15	415.27
Dividends paid	(114.14)	(619.46)
Additional tax on dividend	(35.51)	(102.66)
Interest paid	(161.78)	(150.00)
Net Cash (used in)/from Financing Activities	7697.32	1140.13
Net (decrease)/increase in cash and cash equivalents (A + B + C)	(157.24)	902.03
Cash and cash equivalents at beginning of the year	1718.02	815.99
Cash and cash equivalents at end of the year	1560.78	1718.02

Notes:

1. Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 as specified in the Companies (Accounting Standard) Rules, 2006.
2. Purchase of fixed assets includes movement of Capital Work-in-Progress during the year.
3. Cash and cash equivalents at the end of the year represent cash and bank balances and include unrealised Gain of Rs.0.43 crore *(previous year unrealised Gain of Rs.2.83 crore)* on account of translation of foreign currency bank balances.
4. Previous year's figures have been regrouped/reclassified wherever applicable.

A.M. NAIK
Chairman & Managing Director

As per our report attached

SHARP & TANNAN
Chartered Accountants
by the hand of
F.M. KOBLA
Partner
Membership No.15882

Mumbai, May 29, 2008

N. HARIHARAN
Company Secretary

J.P. NAYAK
Y.M. DEOSTHALEE
K. VENKATARAMANAN
K. V. RANGASWAMI

V.K. MAGAPU
M. V. KOTWAL
S. RAJGOPAL
S.N. TALWAR

M. M. CHITALE
THOMAS MATHEW T.
N. MOHANRAJ
SUBODH BHARGAVA
BHAGYAM RAMANI

Directors

Mumbai, May 29, 2008

Schedules forming part of Consolidated Accounts

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	*Rs.crore*	*Rs.crore*
Schedule A				
Share Capital:				
Authorised:				
162,50,00,000 Equity shares of Rs.2 each		325.00		*325.00*
(Previous year 162,50,00,000 Equity shares of Rs.2 each)				
Issued:				
29,23,27,390 Equity shares of Rs.2 each		58.47		*56.65*
(Previous year 28,32,70,748 Equity shares of Rs.2 each)				
Subscribed and paid up:				
29,23,27,390 Equity shares of Rs.2 each [See Note No.1]		58.47		*56.65*
(Previous year 28,32,70,748 Equity shares of Rs.2 each)				
		58.47		*56.65*

		As at 31-3-2008		As at 31-3-2007	
		Rs.crore	Rs.crore	*Rs.crore*	*Rs.crore*
Schedule B					
Reserves and Surplus:					
Revaluation Reserve:					
As per last Balance Sheet		27.93		*29.37*	
Less: Transferred to Profit and Loss Account		2.03		*1.44*	
			25.90		*27.93*
Cash Subsidy Reserve:					
As per last Balance Sheet		-		*0.25*	
Less: Transferred to Retained Earnings		-		*0.25*	
			-		-
Capital Redemption Reserve:					
As per last Balance Sheet		3.16		*3.16*	
			3.16		*3.16*
Capital Reserve:					
As per last Balance Sheet		10.67		*0.27*	
Addition during the year		0.14		*10.40*	
			10.81		*10.67*
Capital Reserve on Consolidation:					
As per last Balance Sheet		16.52		*13.19*	
Addition during the year		-		*3.33*	
Deduction during the year		0.54		-	
			15.98		*16.52*
Reserve u/s 45 IC of the RBI Act, 1934					
As per last Balance Sheet		42.55		*24.57*	
Add: Transferred from Profit & Loss Account		33.20		*12.60*	
Transferred from Retained Earnings		-		*5.38*	
			75.75		*42.55*
Debenture Redemption Reserve:					
As per last Balance Sheet		-		*18.75*	
Less: Transferred to Retained Earnings		-		*18.75*	
			-		-
Securities Premium Account:					
As per last Balance Sheet		2066.16		*1929.63*	
Addition during the year		2135.14		*164.11*	
		4201.30		*2093.74*	
Less: Issue of bonus shares		-		*28.00*	
Transfer to Retained Earnings		1.80		-	
Debenture/Share issue expenses (net of tax)					
Share issue expenses		14.64		*0.38*	
Amortisation of premium payable on redemption of Debentures/Bonds (net of tax) *(Previous year Rs.2.40 crore)*	-				
Less: Write-back of provision made in previous year pursuant to conversion of Bonds *(Previous year Rs.3.20 crore)*	2.40				
		(2.40)		*(0.80)*	
			4187.26		*2066.16*
Carried forward			4318.86		*2166.99*

Schedules forming part of Consolidated Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule B (Contd.)				
Brought forward		4318.86		2166.99
Foreign Projects Reserve:				
As per last Balance Sheet	19.19		28.34	
Less: Transferred to Retained Earnings	8.36		9.15	
		10.83		19.19
Housing Projects Reserve:				
As per last Balance Sheet	7.96		21.31	
Less: Transferred to Retained Earnings	3.98		13.35	
		3.98		7.96
Tonnage Tax Reserve:				
As per last Balance Sheet	0.99		0.99	
		0.99		0.99
Foreign Currency Translation Reserve:				
As per last Balance Sheet	(6.55)		2.76	
Deduction during the year	(4.69)		(9.31)	
		(11.24)		(6.55)
Reserve under section 36(1)(viii) of the Income tax Act, 1961				
As per last Balance Sheet	-		-	
Add: Transferred from Profit & Loss Account	1.77		-	
		1.77		-
Hedging Reserve:				
As per last Balance Sheet	-		-	
Additions during the year	(4.85)		-	
		(4.85)		-
Retained Earnings:				
As per last Balance Sheet	4596.91		2830.41	
Less: Adjustments pertaining to deferred tax liabilities (net)	21.10		-	
Add: Adjustments pertaining to prior years (net)	-		0.95	
	4575.81		2831.36	
Less: Transferred to Reserve u/s 45 IC of the RBI Act,1934	-		5.38	
	4575.81		2825.98	
Add: Transferred from:				
Foreign Projects Reserve	8.36		9.15	
Housing Projects Reserve	3.98		13.35	
Debenture Redemption Reserve	-		18.75	
Cash Subsidy Reserve	-		0.25	
Securities Premium account	1.80		-	
Profit and Loss account	1718.04		1796.07	
	6307.99		4663.55	
Less: Liabilities on account of Employee Benefits (net of tax)	-		66.64	
		6307.99		4596.91
		10628.33		6785.49

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule C				
Secured Loans:				
Fixed Rate Debentures		1047.00		593.30
Loans from banks:				
Cash credits/Working Capital Demand Loans	2775.76		705.51	
Other loans	2300.69		1581.64	
Interest accrued and due	0.05		0.44	
		5076.50		2287.59
Loans from financial institutions		436.64		228.15
		6560.14		3109.04

Schedules forming part of Consolidated Accounts (contd.)

	As at 31-3-2008		*As at 31-3-2007*	
	Rs.crore	Rs.crore	*Rs.crore*	*Rs.crore*
Schedule D				
Unsecured Loans:				
Zero Coupon Foreign Currency Convertible Bonds		-		*422.27*
Fixed rate debentures		100.00		*195.00*
Fixed deposits		0.01		*0.01*
Short term loans and advances:				
From banks	1609.90		*773.64*	
From others	68.55		*6.93*	
Lease finance	0.23		*0.45*	
Sales tax deferment loan	15.16		*5.10*	
Commercial Paper	900.00		*760.00*	
		2593.84		*1546.12*
Other loans and advances:				
From banks	2599.40		*711.44*	
Lease finance	0.16		*0.11*	
Sales tax deferment loan	121.10		*136.26*	
From others	341.32		*311.97*	
		3061.98		*1159.78*
		5755.83		*3323.18*

Schedule E (i)

Fixed Assets-Tangible	Cost/Valuation					Depreciation					Impairment	Book Value	
	As at 1-4-2007	Transfer on Amalgamation	Additions	Deductions	As at 31-3-2008	*Up to 31-3-2007*	Transfer on Amalgamation	For the year	Deductions	Up to 31-3-2008	As at 31-3-2008	As at 31-3-2008	*As at 31-3-2007*
	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	*Rs.crore*	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	Rs.crore	*Rs.crore*
OWNED ASSETS:													
Land-Freehold	*697.22*	-	76.49	0.73	772.98	-	-	-	-	-	-	772.98	*578.20*
Ships	*166.55*	-	23.55	-	190.10	*20.76*	-	15.22	-	35.98	-	154.12	*142.10*
Buildings	*850.52*	-	315.39	18.27	1147.64	*167.22*	-	25.63	5.38	187.47	-	960.17	*674.87*
Railway sidings	*0.25*	-	-	-	0.25	*0.25*	-	-	-	0.25	-	-	-
Plant and machinery	*2550.33*	-	1313.39	486.91	3376.81	*1100.81*	-	243.95	222.96	1121.80	-	2255.01	*1465.42*
Furniture and fixtures	*218.43*	-	63.93	9.35	273.01	*93.87*	-	29.76	4.36	119.27	-	153.74	*124.34*
Vehicles	*90.49*	-	41.37	6.61	125.25	*65.41*	-	10.05	6.01	69.45	-	55.80	*25.56*
Aircraft	*9.26*	-	-	-	9.26	*6.99*	-	0.49	-	7.48	-	1.78	*2.27*
Owned Assets Leased Out:													
Plant and machinery	*716.46*	-	86.74	22.56	780.64	*217.64*	-	57.19	10.67	264.16	6.93	509.55	*491.85*
Buildings	*259.54*	-	50.14	12.19	297.49	*10.17*	-	4.42	0.29	14.30	-	283.19	*254.36*
Vehicles	*106.71*	-	13.95	7.02	113.64	*27.25*	-	16.85	2.60	41.50	-	72.14	*79.46*
Lease Adjustment	-	-	-	-	-	-	-	-	-	-	-	(239.36)	*(217.66)*
Owned Assets (sub total-A)	*5665.76*	-	1984.95	563.64	7087.07	*1710.37*	-	403.56	252.27	1861.66	6.93	4979.12	*3620.77*
LEASED ASSETS:													
Plant and machinery	*2.36*	-	0.11	0.60	1.87	*0.90*	-	0.86	0.53	1.23	-	0.64	*0.95*
Vehicles	*4.18*	-	-	3.08	1.10	*3.59*	-	0.27	2.80	1.06	-	0.04	*1.10*
Leased Assets (sub total-B)	*6.54*	-	*0.11*	*3.68*	*2.97*	*4.49*	-	*1.13*	*3.33*	*2.29*	-	0.68	*2.05*
Total (A+B)	*5672.30*	-	1985.06	567.32	7090.04	*1714.86*	-	404.69	255.60	1863.95	6.93	4979.80	*3622.82*
Previous year	*4064.39*	*26.73*	*1584.71*	*114.93*	*5560.90*	*1462.91*	*21.13*	*293.44*	*63.99*	*1713.49*	*6.93*		
Add: Capital work-in-progress (net of deductions on account of obsolescence Rs.Nil; *Previous year Rs.6.17 crore*)												1311.47	*485.30*
												6291.27	*4108.12*

Schedules forming part of Consolidated Accounts (contd.)

Schedule E (ii)

Fixed Assets-Intangible	Cost/Valuation				Amortisation				Impairment	Book Value	
	As at 1-4-2007 Rs.crore	Additions Rs.crore	Deductions Rs.crore	As at 31-3-2008 Rs.crore	Up to 31-3-2007 Rs.crore	For the year Rs.crore	Deductions Rs.crore	Up to 31-3-2008 Rs.crore	As at 31-3-2008 Rs.crore	As at 31-3-2008 Rs.crore	As at 31-3-2007 Rs.crore
Goodwill on consolidation	172.63	79.06	-	251.69	6.62	20.23	-	26.85	0.72	224.12	165.28
Land-Leasehold	50.93	43.65	7.08	87.50	4.56	2.52	0.03	7.05	-	80.45	46.39
Building-Leasehold	1.92	-	1.92	-	0.23	0.03	0.26	-	-	-	1.69
Specialised Softwares	97.85	37.74	1.44	134.15	72.63	21.26	1.33	92.56	-	41.59	24.56
Lumpsum fees for technical knowhow	15.16	5.22	-	20.38	4.31	5.21	-	9.52	-	10.86	10.85
Toll Collection Rights	215.11	73.35	-	288.46	102.29	52.67	-	154.96	-	133.50	112.82
Trade marks	1.50	-	-	1.50	1.50	-	-	1.50	-	-	-
Total	555.10	239.02	10.44	783.68	192.14	101.92	1.62	292.44	0.72	490.52	361.59
Previous year	347.74	210.06	4.40	553.40	154.03	38.75	1.69	191.09	0.72		
Add: Capital work-in-progress										1741.60	970.02
										2232.12	1331.61

Notes:

1 (i) In respect of tangible assets, opening gross block includes Rs.124.62 crore and opening accumulated depreciation includes Rs.1.42 crore on account of one joint venture which became a subsidiary and two subsidiaries which are consolidated for the first time during the year. Exchange loss of Rs.13.73 crore and Rs.0.37 crore arising on translation of value of fixed assets in respect of non-integral foreign operations have been adjusted in the opening gross block and opening accumulated depreciation respectively.

(ii) In respect of tangible assets, opening gross block includes Rs 0.51 crore and opening accumulated depreciation includes Rs.0.32 crore which has been reinstated from assets held for sale

(iii) In respect of intangible assets, opening gross block includes Rs.1.84 crore and opening accumulated amortisation includes Rs.1.15 crore on account of a joint venture which became a subsidiary. Exchange loss of Rs.0.14 crore and Rs.0.10 crore arising on translation of value of fixed asset in respect of non-integral foreign operations have been adjusted in the opening gross block and opening accumulated amortisation respectively.

(iv) In respect of intangible assets, opening gross block includes Rs.215.11 crore and opening accumulated amortisation includes Rs.102.29 crore relating to toll collection rights, which were earlier classified under tangible assets.

2 Cost/Valuation of:

(i) Freehold land includes:

(a) Rs.0.14 crore for which conveyance is yet to be completed.

(ii) Leasehold land includes:

(a) Rs.2.63 crore for land taken at Mysore on lease from KIADB vide agreement dated May 5, 2006. The lease agreement is for a period of six years, with extension of 3 years, at the end of which Sale Deed would be executed, on fulfillment of certain conditions by the Company.

(b) Rs.1.31 crore for land taken on sub lease from West Bengal Electronics Industry Development Corporation Ltd for a period of 99 years with a right to renew for a further terms of 99 years each vide Memorandum of Understanding dated August 18, 2004. Pending execution of Sub Lease Deed the Company has paid the full consideration and taken possession of the land for execution of the project.

(c) Rs.0.22 crore for land taken at Hubli on lease from KIADB vide agreement dated December 8, 2005. The lease agreement is for a period of six years, at the end of which sale deed would be executed, on fulfillment of certain conditions by the Company.

3 Cost/Valuation of Buildings includes ownership accommodation:

(i) (a) in various co-operative societies and apartments and shop-owners' associations: Rs.96.86 crore, including 1735 shares of Rs.50 each, 177 shares of Rs.100 each and 1 share of Rs.250.

(b) in proposed co-operative societies Rs.11.10 crore.

(ii) of Rs.4.36 crore in respect of which the deed of conveyance is yet to be executed.

(iii) of Rs.8.45 crore representing undivided share in a property at a certain location.

4 Cost/Valuation of Buildings includes Rs.46.57 crore for building constructed on lease hold land 90.36 acres (20 acres since surrendered) on a 66 years lease agreement entered with National Academy of Construction (NAC) dated October 1, 2005, yet to be registered with appropriate authority.

5 Additions during the year and capital work-in-progress include:

(i) Rs.Nil crore being the exchange gain; *(previous year Rs.3.14 crore)* and

(ii) Rs.12.74 crore being borrowing cost capitalised in accordance with Accounting Standard (AS)16 on "Borrowing Costs" as specified in the Companies (Accounting Standards) Rules, 2006.

6 Depreciation for the year as per profit and loss account, has been arrived at after adding obsolescence Rs.3.88 crore *(previous year Rs.9.16 crore)*, to the depreciation for the year as per schedule E(i)

7 Capital work-in-progress-tangible assets includes advances Rs.356.07 crore (*previous year Rs.55.60 crore*).

8 Capital work-in-progress-intangible assets includes Rs.471.00 crore being negative grant (premium) paid to National Highways Authority of India, Ministry of Shipping, Road Transport and Highways, Government of India, pursuant to Concession Agreement dated July 12, 2006, entered with the authority

9 The Company had revalued as at October 1, 1984 some of its land, buildings, plant and machinery and railway sidings at replacement/market value which resulted in a net increase of Rs.108.05 crore.

LARSEN & TOUBRO
It's all about Imagineering

Schedules forming part of Consolidated Accounts (contd.)

		As at 31-3-2008		*As at 31-3-2007*	
		Rs.crore	Rs.crore	*Rs.crore*	*Rs.crore*
Schedule F					
Investments (At cost, unless otherwise specified):					
Long Term Investments:					
Government and trust securities			6.39		*6.39*
Investment in Associates [See Note Below]					
Fully paid equity shares of associate companies		242.75		*154.41*	
Fully paid preference shares of associate companies		10.00		*10.00*	
		252.75		*164.41*	
Add:/(Deduct):					
Accumulated share in profit/(loss) of the associate companies at the beginning of the year		228.79		*180.89*	
Adjustment pursuant to disposal of stake in associates		-		*(60.11)*	
Adjustment pursuant to associate companies becoming subsidiary/joint venture		-		*47.87*	
Adjustment pursuant to change in share of net worth/prior year profits/(losses)		-		*2.48*	
		481.54		*335.54*	
Add:/(Deduct):					
Share in profit/(loss) (net) of associate companies-current year		135.83		*95.08*	
Commitment to fresh infusion of equity		3.16		*3.15*	
Dividend received from associate companies during the year		(12.98)		*(37.42)*	
Unrealised profits in respect of transactions with associate companies		(69.71)		*(87.28)*	
Provision for diminution in value		(0.56)		*(0.56)*	
			537.28		*308.51*
Other fully paid equity shares			211.79		*112.87*
Bonds			225.68		*505.68*
Mutual funds			0.04		*20.34*
			981.18		*953.79*
Current Investments:					
Government and trust securities *(previous year Rs.100.56 crore)*	186.47				
Less: Provision for diminution in value *(previous year Rs.1.70 crore)*	4.02				
		182.45		*98.86*	
Other fully paid equity shares *(previous year Rs.70.19 crore)*	0.62				
Less: Provision for diminution in value *(previous year Rs.9.73 crore)*	0.50				
		0.12		*60.46*	
Bonds *(previous year Rs.34.24 crore)*	59.20				
Less: Provision for diminution in value *(previous year Rs.Nil)*	1.85				
		57.35		*34.24*	
Mutual funds *(previous year Rs.1334.04 crore)*	4354.53				
Less: Provision for diminution in value *(previous year Rs.3.11 crore)*	23.35				
		4331.18		*1330.93*	
			4571.10		*1524.49*
			5552.28		*2478.28*

Note: Investments in Associates include Goodwill of Rs.44.73 crore *(previous year Rs.5.68 crore)*, net of cumulative amortisation of Rs.5.71 crore *(previous year Rs.2.84 crore)* in respect of associate companies.

Schedules forming part of Consolidated Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule G				
Current Assets, Loans and Advances:				
Current Assets:				
Inventories:				
Stock-in-trade, at cost or net realisable value whichever is lower:				
Raw materials	367.15		222.89	
Components	265.13		165.61	
Construction materials	69.04		18.81	
Stores, spare parts and loose tools	116.34		80.76	
Finished goods	349.60		264.43	
Property development land	203.22		128.12	
Completed Property	0.09		6.17	
	1370.57		886.79	
Work-in-Progress:				
Manufacturing work-in-progress at cost or net realisable value whichever is lower	464.30		411.46	
Construction and Project related work-in-progress				
At cost	1839.35		1494.41	
At estimated realisable value on sale	16052.73		10532.43	
	17892.08		12026.84	
Less: Progress bills raised	14710.31		9650.99	
Due from customers	3181.77		2375.85	
Total Work-in-Progress	3646.07		2787.31	
Stock on hire:	2.36		3.87	
		5019.00		3677.97
Sundry Debtors				
Unsecured:				
Debts outstanding for more than 6 months				
Considered good	1830.54		1817.58	
Considered doubtful	291.39		239.51	
	2121.93		2057.09	
Other Debts:				
Considered good	6403.82		4292.79	
	8525.75		6349.88	
Less: Provision for doubtful debts	291.39		239.51	
		8234.36		6110.37
Cash and bank balances:				
Cash on hand	11.15		7.27	
Cheques on hand	273.61		252.99	
Balances with scheduled banks:				
on current accounts	755.14		547.39	
on fixed deposits including interest accrued thereon	313.76		510.56	
on margin money deposit accounts	9.25		2.26	
Balances with non-scheduled banks	197.87		397.55	
		1560.78		1718.02
Other Current Assets:				
Interest accrued on investments	14.40		26.59	
Others	24.22		7.69	
		38.62		34.28
Carried forward		14852.76		11540.64

Schedules forming part of Consolidated Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule G (Contd.)				
Brought forward		14852.76		11540.64
Loans and advances:				
Secured, Considered good:				
Loans against mortgage of house property	24.94		29.34	
Loans against mortgage of land	-		61.00	
Loans and advances towards financing activity	1976.13		206.41	
	2001.07		296.75	
Unsecured:				
Considered good:				
Associate companies:				
Advances recoverable	15.37		3.56	
Advances towards equity commitment:				
Associate companies	-		0.09	
Others	10.68		1.44	
Inter-Corporate deposits:				
Associate companies	10.00		10.00	
Others	58.92		78.68	
Advances recoverable in cash or in kind [See Note No.15]	4560.68		2528.12	
Loans and Advances towards financing activity	3905.17		1933.81	
Bills discounted	230.94		299.41	
Balance with customs, port trust, etc.	40.75		17.86	
Lease receivables	2.00		2.95	
Considered doubtful:				
Deferred credit against sale of ships	16.69		18.08	
Advances recoverable in cash or in kind	32.61		26.58	
	10884.88		5217.33	
Less: Provision for doubtful loans and advances	49.30		44.66	
		10835.58		5172.67
		25688.34		16713.31

		As at 31-3-2008		As at 31-3-2007	
		Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule H					
Current Liabilities and Provisions:					
Liabilities:					
Acceptances			68.42		80.24
Sundry creditors:					
Due to: Micro and Small Enterprises		4.38		0.94	
Others [See Note No.10]		6841.76		4521.52	
			6846.14		4522.46
Due to customers:					
Progress bills raised		20216.22		13528.82	
Less: Construction and Project related work-in-progress					
At cost *(Previous year Rs.641.16 crore)*	1053.49				
At estimated realisble value *(Previous year Rs.11116.83 crore)*	16447.45				
		17500.94		11757.99	
			2715.28		1770.83
Advances from customers			3634.24		2733.50
Items covered by Investor Education and Protection Fund					
Unpaid dividend		9.61		33.90	
Unpaid matured deposits		0.23		0.35	
Unpaid matured debentures/bonds		1.58		2.19	
Interest accrued on bonds		0.03		0.05	
			11.45		36.49
Due to Directors			22.86		14.75
Interest accrued but not due on loans			56.76		34.43
Pension payable under Voluntary Retirement-cum-Pension Scheme (payable within one year: Rs 0.01 crore)			0.04		0.51
Carried forward			13355.19		9193.21

Schedules forming part of Consolidated Accounts (contd.)

	As at 31-3-2008		As at 31-3-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule H (Contd.)				
Brought forward		13355.19		9193.21
Provisions for:				
Current Taxes	1057.95		724.18	
Tax on Fringe Benefits	78.67		20.16	
Proposed dividend	438.49		56.65	
Additional tax on dividend	69.70		12.06	
Gratuity	10.15		10.18	
Compensated absences	250.30		241.30	
Employee pension schemes	151.35		118.57	
Post-retirement medical benefit plan	58.74		47.09	
Long service awards	17.41		16.49	
Premium payable on redemption on FCCBs	-		3.63	
Other Provisions [See Note No.20]	113.26		98.27	
		2246.02		1348.58
		15601.21		10541.79

	As at 31-3-2008	As at 31-3-2007
	Rs.crore	Rs.crore
Schedule I		
Miscellaneous expenditure		
(to the extent not written off or adjusted)		
Voluntary Retirement-cum-Pension Schemes/Voluntary Retirement Schemes	3.13	9.99
Preliminary expenses	25.41	7.09
	28.54	17.08

	As at 31-3-2008	As at 31-3-2007
	Rs.crore	Rs.crore
Schedule J		
Contingent Liabilities:		
(a) Claims against the Company not acknowledged as debts	117.07	177.62
(b) Sales-tax liability that may arise in respect of matters in appeal	223.46	75.16
(c) Excise duty/Service Tax liability that may arise in respect of matters in appeal/challenged by the Company in WRIT	13.03	7.44
(d) Customs duty demands against which the Group has filed appeals before Appellate Authorities which are pending disposal	-	25.71
(e) Income-Tax liability (including interest and penalty) that may arise in respect of which the Company is in appeal	40.95	61.34
(f) Guarantees given on behalf of Associate Companies	10.00	10.00

Notes:

1. The Company does not expect any reimbursements in respect of the above contingent liabilities.
2. It is not practicable to estimate the timing of cash outflows, if any, in respect of matters at (a) to (e) above pending resolution of the arbitration/ appellate proceedings.
3. In respect of matters at (f), the cash outflows, if any, could generally occur during the next three years, being the period over which the validity of the guarantees extends except in a few cases where the cash outflows, if any, could occur any time during the subsistence of the borrowing to which the guarantees relate.

Schedules forming part of Consolidated Accounts (contd.)

	2007-2008 Rs.crore	2006-2007 Rs.crore
Schedule K		
Sales & Service:		
Manufacturing, trading and property development activity	6493.76	4915.51
Construction and project related activity	19999.24	13618.08
Software development products and services	1671.72	1281.68
Income from financing activity	638.02	241.32
Facilitating charges for power plant	121.14	132.56
Toll collection and related activity	60.54	57.44
Servicing	219.98	177.16
Commission	221.66	146.27
Compensation, engineering and service fees	105.76	130.47
Shipbuilding subsidy	29.29	-
	29561.11	20700.49

	2007-2008 Rs.crore	2006-2007 Rs.crore
Schedule L (i)		
Other Operational Income:		
Equipment and property rentals	113.11	137.85
Commercial leadership fees	0.05	1.95
Technical fees	4.57	14.90
Property maintenance recoveries	10.47	9.45
Facility Management Income	6.59	-
Consultancy Income	2.20	-
Parking recoveries	1.63	2.13
Profit on sale of fixed assets (net)	13.26	10.55
	151.88	176.83

	2007-2008 Rs.crore	2006-2007 Rs.crore
Schedule L (ii)		
Other Income:		
Dividend Income from long term investments	2.42	9.83
Dividend Income from current investments	149.68	156.42
Lease Rental Income	9.58	13.77
Profit on sale of long term investments (net) [See Note No.14]	61.62	460.97
Profit on sale of current investments (net)	55.73	0.20
Profit on sale of fixed assets (net)	6.95	7.09
Gain on extinguishment of debt	-	0.51
Miscellaneous income	132.98	136.88
	418.96	785.67

	2007-2008 Rs.crore	2006-2007 Rs.crore
Schedule L (iii)		
Interest Income:		
Interest received on inter-corporate deposits, from associate companies,customers and others	74.29	78.42
Income from long term investments:		
Interest on debentures, bonds and Goverment securities	27.79	26.73
Income from current investments:		
Interest on debentures, bonds and Goverment securities	11.48	2.90
	113.56	108.05

Schedules forming part of Consolidated Accounts (contd.)

	2007-2008		2006-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule M				
Manufacturing, Construction and Operating Expenses:				
Materials consumed:				
Raw materials and components	6419.28		3702.43	
Construction materials	5968.37		3932.56	
	12387.65		7634.99	
Less: Scrap sales	73.26		54.23	
		12314.39		7580.76
Purchase of trading goods		1586.98		1184.41
(Increase)/Decrease in manufacturing and trading stocks:				
Closing stock:				
Finished goods	349.60		264.43	
Work-in-progress	1402.31		704.92	
	1751.91		969.35	
Less: Opening stock:				
Finished goods	264.43		200.68	
Work-in-progress	704.92		637.21	
	969.35		837.89	
		(782.56)		(131.46)
Sub-contracting charges		4966.38		3580.27
Stores, spares and tools		777.08		503.43
Other manufacturing, construction and operating expenses:				
Excise duty	1.56		4.64	
Power and fuel	426.30		323.87	
Royalty and technical know-how fees	13.04		5.10	
Packing and forwarding	86.07		55.89	
Hire charges-Plant and machinery and others	290.85		138.51	
Engineering, Professional, Technical and Consultancy fees	325.97		290.88	
Insurance	69.63		94.38	
Rent	70.44		38.00	
Rates and taxes	20.47		21.54	
Travelling and conveyance	186.44		143.67	
Repairs to Plant and Machinery	57.99		49.18	
Repairs to buildings	10.84		10.41	
General repairs and Maintenance	79.24		52.81	
Interest and other financing charges	363.37		141.84	
Software Development expenses	865.79		698.77	
		2868.00		2069.49
Cost of built up Technology Park space and Property Development Land:				
Opening Stock:				
Work-in-progress	125.24		26.79	
Completed Property	6.17		0.09	
Property Development Land	128.12		-	
	259.53		26.88	
Add: Expenses on construction during the year	176.42		253.00	
	435.95		279.88	
Less: Internal capitalisation during the year	6.28		4.81	
	429.67		275.07	
Less: Closing Stock:				
Work-in-progress	128.21		125.24	
Completed Property	0.09		6.17	
Property Development Land	203.22		128.12	
	331.52		259.53	
		98.15		15.54
Other expenses		150.93		322.67
		21979.35		15125.11

Schedules forming part of Consolidated Accounts (contd.)

	2007-2008		2006-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule N				
Staff Expenses:				
Salaries, wages and bonus		1598.81		1029.68
Contribution to and provision for:				
Provident funds and pension fund	63.53		54.15	
Superannuation/Employee pension schemes	71.85		67.11	
Gratuity funds	30.95		53.52	
Compensated absences	1.87		52.88	
		168.20		227.66
Welfare and other expenses		282.42		230.86
		2049.43		1488.20

	2007-2008		2006-2007	
	Rs.crore	Rs.crore	Rs.crore	Rs.crore
Schedule O				
Sales, Administration and Other Expenses:				
Power and fuel		21.30		15.43
Packing and forwarding		195.28		115.53
Professional fees		127.97		103.18
Insurance		31.45		26.15
Rent		125.88		102.78
Rates and taxes		57.63		34.17
Travelling and conveyance		274.18		198.90
Repairs to buildings		26.20		13.42
General repairs and maintenance		105.47		87.20
Directors' fees		0.29		0.33
Telephone, postage and telegrams		90.49		71.28
Advertising and publicity		61.62		53.68
Stationery and printing		36.70		31.81
Commission:				
Distributors and agents	33.14		26.18	
Employees and others	9.36		6.41	
		42.50		32.59
Bank charges		59.23		51.14
Miscellaneous expenses		265.82		161.27
Bad debts and advances written off	46.10		100.53	
Less: Provision for doubtful debts and advances written back	45.28		99.14	
		0.82		1.39
Discount on sales		47.43		37.09
Provision for doubtful debts,advances and non-performing assets (net)		101.80		94.53
Provision for foreseeable losses on construction contracts		24.46		8.75
Provision for diminution in value of investments (net)		22.56		12.23
Other Provisions [See Note No.20]		14.99		35.69
		1734.07		1288.54

	2007-2008	2006-2007
	Rs.crore	Rs.crore
Schedule P		
Interest & Brokerage:		
Debentures and fixed loans	112.21	87.87
Others	90.90	70.57
	203.11	158.44

Schedules forming part of Consolidated Accounts (contd.)

Schedule Q

SIGNIFICANT ACCOUNTING POLICIES:

1. **Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"] except for the revaluation of certain fixed assets, and in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards [as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government]. However, certain escalation and other claims, which are not ascertainable/acknowledged by customers, are not taken into account.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful life of tangible and intangible fixed assets, provision for doubtful debts/advances, future obligations in respect of retirement benefit plans, etc. Difference, if any, between the actual results and estimates, is recognised in the period in which the results are known.

The accounts of all subsidiaries, joint ventures and Indian associates have been prepared in compliance with the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government, and those of the foreign associates have been prepared in compliance with the local laws and applicable Accounting Standards.

2. **Revenue Recognition**

(a) Sales and service include excise duty and adjustments made towards liquidated damages, price variation and charges paid for discounting of receivables on a non-recourse basis as per construction/project contracts, wherever applicable.

(b) Revenue is recognised based on the nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

(i) Revenue from sale of goods is recognised when the substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.

(ii) Revenue from construction/project related activity and contracts for supply/commissioning of complex plant and equipment is recognised as follows:

a) Cost plus contracts: Contract revenue is determined by adding the aggregate cost plus proportionate margin as agreed with the customer.

b) Fixed price contracts received up to March 31, 2003: Contract revenue is recognised by applying percentage of completion to the contract value. Percentage of completion is determined as follows:

i in the case of item rate contracts, as a proportion of the progress billing to contract value; and

ii in the case of other contracts, as a proportion of the cost incurred-to-date to the total estimated cost.

c) Fixed price contracts received on or after April 1, 2003: Contract revenue is recognised by adding the aggregate cost and proportionate margin using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred-to-date to the total estimated contract cost.

Full provision is made for any loss in the period in which it is foreseen.

(iii) Revenue from property development activity is recognised when all significant risks and rewards of ownership in the land and/or building are transferred to the customer and a reasonable expectation of collection of the sale consideration from the customer exists.

(iv) Revenue from service related activities is recognised using the proportionate completion method or completed service contract method.

(v) Commission income is recognised as and when the terms of the contract are fulfilled.

(vi) Revenues from construction/project related activity and contracts executed in Joint Ventures under work-sharing arrangement [being Jointly Controlled Operations, in terms of Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures"], are recognised on the same basis as similar contracts independently executed by the Company.

(c) Other operational income is recognised on rendering of related services, as per the terms of the contracts.

(d) Profit/Loss on contracts executed by Integrated Joint Ventures under profit-sharing arrangement [being Jointly Controlled Entities, in terms of Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures"], is accounted as and when the same is determined by the Joint Venture. Revenue from services rendered to such Joint Ventures is accounted on accrual basis.

(e) Interest Income is accounted at applicable coupon rates on the respective investments.

(f) Revenue from software development is recognised based on software developed or time spent in person hours or person weeks, and billed to customers as per the terms of specific contracts.

Schedules forming part of Consolidated Accounts (contd.)

Schedule Q (Contd.)

(g) Revenue relatable to construction services rendered in connection with Build-Operate-Transfer (BOT) projects undertaken by the group is recognised during the period of construction using percentage of completion method. Revenue relatable to toll collections of such projects from users of facilities are accounted when the amount is due and recovery is certain. Licence fees for way-side amenities are accounted on accrual basis.

(h) Income from hire purchase and lease transactions is accounted on accrual basis, *pro-rata* for the period, at the rates implicit in the transaction. Income from bill discounting, advisory and syndication services and other financing activities is accounted on accrual basis.

(i) Facilitation earnings are recognised based on the availability of the facilities for generation of electricity and steam.

(j) Other items of income are accounted as and when the right to receive arises.

3. **Principles of Consolidation**

(a) The financial statements of the Parent Company and its Subsidiaries have been consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after eliminating intra-group balances and the unrealised profits/ losses on intra-group transactions, and are presented to the extent possible, in the same manner as the Company's independent financial statements.

(b) Investments in associate companies have been accounted for, by using equity method whereby investment is initially recorded at cost and the carrying amount is adjusted thereafter for post acquisition change in the Company's share of net assets of the associate.

(c) The Company's interests in joint ventures are consolidated as follows:

Type of Joint Venture	Accounting treatment
Jointly Controlled Operations	Company's share of revenues, common expenses, assets and liabilities are included in revenues, expenses, assets and liabilities respectively.
Jointly Controlled Assets	Share of the assets, according to nature of the assets, and share of the liabilities are shown as part of gross block and liabilities respectively according to their nature. Share of expenses incurred on maintenance of the assets is accounted as expense. Monetary benefits, if any, from use of the assets are reflected as income.
Jointly Controlled Entities	The Company's interest in Jointly Controlled Entities are consolidated on a line-by line basis by adding together the book values of assets, liabilities, income and expenses, after eliminating the unrealised profits/losses on intra group transactions.

Joint venture interests accounted as above are included in the segments to which they relate.

4. **Government Grant for Shipbuilding Business**

Government subsidy related to shipbuilding contracts is recognised on a prudent basis in the Profit and Loss Account as revenue from operations in proportion to work completed when there is reasonable assurance that the conditions for the grant of subsidy will be fulfilled.

5. **Research and Development**

Revenue expenditure on research and development is charged under respective heads of account in the year in which it is incurred. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

6. **Employee Benefits**

(a) Short Term Employee Benefits

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits such as salaries, wages, short term compensated absences, etc. and the expected cost of bonus, ex-gratia, are recognised in the period in which the employee renders the related service.

(b) Post-Employment Benefits

(i) Defined Contribution Plans: The Company's superannuation scheme, state governed provident fund scheme, insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the related service.

(ii) **Defined Benefit Plans**: The employees gratuity fund schemes, post-retirement medical care schemes, pension scheme and provident fund scheme managed by trust are the company's defined benefit plans. Wherever applicable, the present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Schedules forming part of Consolidated Accounts (contd.)

Schedule Q (Contd.)

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognise the obligation on the net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs. Past service cost is recognised as expense on a straight-line basis over the average period until the benefits become vested.

(c) Long Term Employee Benefits

The obligation for long term employee benefits such as long term compensated absences, long service award, etc. is recognised in the similar manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

(d) Termination Benefits

Where termination benefits such as compensation under voluntary retirement cum pension scheme are payable within a year of the balance sheet date, the actual amount of termination benefits is amortised over a defined period. Where termination benefits are payable beyond one year of the balance sheet date, the discounted amount of termination benefits is amortised over a defined period.

The defined period of amortisation is five years or the period till March 31, 2010, whichever is earlier.

7. **Fixed Assets**

Fixed assets are stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation, accumulated amortisation and cumulative impairment and those which were revalued as on October 1, 1984 are stated at the values determined by the valuers less accumulated depreciation, accumulated amortisation and cumulative impairment. Assets acquired on hire purchase basis are stated at their cash values. Specific know-how fees paid, if any, relating to plant and machinery is treated as part of cost thereof.

Revenue expenses incurred in connection with project implementation insofar as such expenses relate to the period prior to the commencement of commercial production are treated as part of project cost and capitalised.

Own manufactured assets are capitalised at cost including an appropriate share of overheads.

(Also refer to policy on Leases, Borrowing Costs, Impairment of Assets and Foreign Currency Transactions, *infra*.)

8. **Leases**

(a) Lease transactions entered into prior to April 1, 2001:

Assets leased out are stated at original cost. Lease equalisation adjustment is the difference between capital recovery included in the lease rentals and depreciation provided in the books.

Lease rentals in respect of assets acquired under leases are charged to Profit and Loss Account.

(b) Lease transactions entered into on or after April 1, 2001:

(i) Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

(ii) Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

(iii) Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.

(iv) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.

(v) Initial direct costs relating to assets given on finance leases are charged to Profit and Loss Account.

(Also refer to policy on Depreciation, *infra*)

Schedules forming part of Consolidated Accounts (contd.)

Schedule Q (Contd.)

8. **Depreciation**

(A) Indian Companies

(I) Owned assets

a) Revalued Assets:

Depreciation is provided, on straight line method on the values and at the rates given by the valuers. The difference between depreciation provided on revalued amount and that on historical cost is transferred from Revaluation Reserve to Profit and Loss Account.

b) Assets carried at historical cost:

Depreciation on assets carried at historical cost is provided on the written down value basis on assets acquired up to March 31, 1968 (at the rates prescribed under Schedule XIV to the Companies Act, 1956) and on straight line basis on assets acquired subsequently (at the rates prevailing at the time of their acquisition) on assets acquired up to September 30, 1987. For the assets acquired there after, depreciation is provided at the rates prescribed under Schedule XIV or at higher rates in line with the estimated useful life of the assets.

c) Depreciation for additions to/deductions from owned assets is calculated pro rata from/to the month of additions/deductions. Extra shift depreciation is provided on a location basis.

d) Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

(II) Leased assets

a) Lease transactions entered into prior to April 1, 2001:

Assets given on lease are depreciated over the primary period of the lease. Accordingly, while the statutory depreciation on such assets is provided for on straight line method as per Schedule XIV to the Companies Act, 1956, the difference is adjusted through lease equalisation and lease adjustment account.

b) Lease transactions entered into on or after April 1, 2001:

Assets acquired under finance leases are depreciated on a straight line method over the lease term. Where there is reasonable certainty that the Company shall obtain ownership of the assets at the end of the lease term, such assets are depreciated at the rates prescribed under Schedule XIV to the Companies Act, 1956 or at the higher rates adopted by the Company for similar assets.

(B) Foreign Companies

Depreciation has been provided by the foreign companies on methods and at the rates required/permissible by the local laws so as to write off the assets over their useful life.

9. **Intangible Assets and Amortisation**

Intangible assets are recognised as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" as specified in the Companies (Accounting Standards) Rules, 2006 prescribed by the Central Government and are amortised as follows:

(a) Leasehold land: Over the period of lease.

(b) Jetty: Over the period of the concession agreement signed with the appropriate authority such that the cumulative amortisation is not less than the cumulative rebate availed by the Company.

(c) Specialised software: Over a period of three years.

(d) Lump sum fees for technical know-how: Over a period of six years in case of foreign technology and three years in the case of indigenous technology.

(e) Trade-marks: Over a period of five years.

(f) Toll collection rights obtained in consideration for rendering construction services represent the right to collect toll revenue during the concession period in respect of Build-Operate-Transfer (BOT) projects undertaken by the group. Toll collection rights are capitalised as intangible asset upon completion of the project at the cumulative construction costs including related margins (refer accounting policy on revenue recognition above). Till the completion of the project, the same is recognised as capital work-in-progress. Toll collection rights are amortised over the period of rights given under the concession agreement.

Amortisation on impaired assets is provided by adjusting the amortisation charges in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

Schedules forming part of Consolidated Accounts (contd.)

Schedule Q (Contd.)

Goodwill represents the difference between the Group's share in the net worth of a subsidiary or an associate, and the cost of acquisition at each point of time of making the investment in the subsidiary or the associate. For this purpose, the Group's share of net worth is determined on the basis of the latest financial statements prior to the acquisition after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. Capital Reserve on consolidation represents negative goodwill arising on consolidation.

Goodwill arising out of acquisition of equity stake in a subsidiary, an associate or a joint venture is amortised in equal amounts over a period of ten years from the date of first acquisition. In the event of cessation of operations of a subsidiary, an associate or a joint venture, the unamortised goodwill is written off fully.

10. **Impairment of Assets**

As at each balance sheet date, the carrying amount of assets is tested for impairment so as to determine:

(a) the provision for impairment loss, if any, required; or

(b) the reversal, if any, required of impairment loss recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined:

(a) in the case of an individual asset, at the higher of the net selling price and the value in use;

(b) in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net selling price and the value in use.

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life)

11. **Investments**

Long term investments including interests in Incorporated Jointly Controlled Entities, are carried at cost, after providing for any diminution in value, if such diminution is of other than temporary in nature. Current investments are carried at lower of cost or market value. The determination of carrying amount of such investments is done on the basis of specific identification. Investments in Integrated Joint Ventures are carried at cost net of adjustments for Company's share in profits or losses as recognised.

12. **Inventories**

Inventories are valued after providing for obsolescence, as under:

(a) Raw materials, components, construction materials, stores, spares and loose tools at lower of weighted average cost or net realisable value.

(b) Work-in-progress

(i) Work-in-progress (other than project and construction-related) at lower of cost including related overheads or net realisable value.

(ii) Project and construction-related work-in-progress at cost till such time the outcome of the job cannot be ascertained reliably and at realisable value thereafter.

In the case of qualifying assets, cost includes applicable borrowing costs *vide* policy relating to Borrowing Costs.

(c) Finished goods at lower of weighted average cost or net realisable value. Cost includes related overheads and excise duty paid/payable on such goods.

(d) Property development land at lower of cost or net realisable value.

(e) Completed property is valued at lower of cost or net realisable value.

13. **Securities Premium Account**

(a) Securities premium includes:

(i) The difference between the market value and the consideration received in respect of shares issued pursuant to Stock Appreciation Rights Scheme.

(ii) The discount allowed, if any, in respect of shares allotted pursuant to Stock Options Scheme.

(b) The following expenses are written off against securities premium account:

(i) Issue expenses pertaining to shares

(ii) Issue expenses pertaining to debentures/bonds, net of tax.

(iii) Premium on redemption of debentures/bonds, net of tax.

Schedules forming part of Consolidated Accounts (contd.)

Schedule Q (Contd.)

14. **Borrowing Costs**

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

15. **Employee Stock Ownership Schemes**

In respect of stock options granted pursuant to the Company's Employee Stock Options Schemes, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation cost over the vesting period.

16. **Miscellaneous Expenditure**

Lump sum compensation paid under voluntary retirement-cum-pension schemes are amortised over a period of five years or the period till March 31, 2010, whichever is earlier. The future pensions under voluntary retirement-cum-pension scheme are amortised over the period for which pensions are payable.

17. **Foreign Currency Transactions, Foreign Operations, Forward Contracts and Derivatives**

(a) The reporting currency of the Company is the Indian Rupee.

(b) Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each balance sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences that arise on settlement of monetary items or on reporting at each balance sheet date of the Company's monetary items at the closing rate are:

(i) adjusted in the cost of fixed assets specifically financed by the borrowings contracted upto March 31, 2004 to which the exchange differences relate.

(ii) adjusted in the cost of fixed assets specifically financed by borrowings contracted between the period April 1, 2004 to March 31, 2007 and to which the exchange differences relate, provided the assets are acquired from outside India.

(iii) recognised as income or expense in the period in which they arise, in cases other than (i) and (ii) above.

(c) Financial statements of foreign operations comprising jobs contracted prior to April 1, 2004, are translated as follows:

(i) Closing inventories at rates prevailing at the end of the year

(ii) Fixed Assets as at April 1, 1991 at rates prevailing at the end of the year in which the additions were made. Subsequent additions are at rates prevailing on the dates of the additions. Depreciation is accounted at the same rate at which the assets are translated.

(iii) Other assets and liabilities at rates prevailing at the end of the year

(iv) Net revenues at the average rate for the year.

(d) Financial statements of foreign operations comprising jobs contracted on or after April 1, 2004, are treated as Integral operations and translated as in the same manner as foreign currency transactions, as described above. Exchange differences arising on such translation are recognised as income or expense of the period in which they arise.

(e) Financial statements of overseas non-integral operations are translated as under:

(i) Assets and liabilities at the rate prevailing at the end of the year. Depreciation is accounted at the same rate at which assets are converted.

(ii) Revenues and expenses at yearly average exchange rates prevailing during the year.

Exchange differences arising on translation of non integral foreign operations are accumulated in the Foreign Currency Translation Reserve until the disposal of such operations.

(f) Forward contracts other than those entered into, to hedge foreign currency risk on unexecuted firm commitments or of highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly. Exchange differences arising on such contracts are recognised in the period in which they arise and the premium paid/received is accounted as expense/income over the period of the contract.

Cash flows arising on account of roll over/cancellation of forward contracts are recognised as income/expense of the period in line with the movement in the underlying exposures.

(g) All the other derivative contracts, including forward contracts entered into, for hedging foreign currency risks on unexecuted firm commitments and highly probable forecast transactions, are recognised in the financial statements at fair value as on the balance sheet date, in pursuance of the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008 on accounting of derivatives. The Company has adopted Accounting Standard 30 for applying the test of hedge effectiveness of the outstanding derivative contracts. Accordingly, the resultant gains or losses on fair valuation of such contracts are recognised in the profit and loss account or balance sheet as the case may be.

Schedules forming part of Consolidated Accounts (contd.)

Schedule Q (Contd.)

18. **Segment Accounting**

(a) **Segment accounting policies**

Segment accounting policies are in line with the accounting policies of the Company. In addition, the following specific accounting policies have been followed for segment reporting:

(i) Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter-segment revenue.

(ii) Expenses that are directly identifiable with/allocable to segments are considered for determining the Segment Result. Expenses which relate to the Group as a whole and not allocable to segments are included under "Unallocable Corporate Expenditure".

(iii) Income which relates to the Group as a whole and not allocable to segments is included in "Unallocable Corporate Income".

(iv) Segment result includes margins on inter-segment capital jobs, which are reduced in arriving at the profit before tax of the Group.

(v) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Group as a whole and not allocable to any segment. Unallocable assets mainly comprise trade investments in associate companies. Unallocable liabilities include mainly loan funds, provisions for employee retirement benefits and proposed dividend.

(b) **Inter-segment transfer pricing**

Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

19. **Taxes on Income**

(a) **Indian Companies:**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on the expected outcome of assessments/appeals.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation/business losses are recognised and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Other deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(b) **Foreign companies:**

Foreign companies recognise tax liabilities and assets in accordance with the applicable local laws.

20. **Fringe Benefit Tax**

Fringe Benefit Tax (FBT) on the Employee Stock Options (ESOPs) is recognised in the Profit and Loss Account when the liability crystalises upon vesting of such stock options. Wherever such FBT liability is borne by the employee, the same is not recognised.

FBT on all other expenses, as specified in Income Tax Act, 1961, is recognised in the Profit and Loss Account when the underlying expenses are incurred.

21. **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

(a) the Company has a present obligation as a result of a past event,

(b) a probable outflow of resources is expected to settle the obligation and

(c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of:

(a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation

(b) a present obligation when no reliable estimate is possible;

(c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance sheet date.

Notes forming part of Consolidated Accounts

1. Basis of preparation
   a) The Consolidated Financial Statements (CFS) are prepared in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements", Accounting Standard (AS) 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures", as specified in the Companies (Accounting Standards) Rules, 2006. The CFS comprises the financial statements of Larsen & Toubro Limited (L&T), its Subsidiaries, Associates and Joint Ventures. Reference in these notes to L&T, Company, Parent Company, Companies or Group shall mean to include Larsen & Toubro Limited or any of its Subsidiaries, Associates and Joint Ventures, unless otherwise stated.
   b) The notes and significant policies to the CFS are intended to serve as a guide for better understanding of the Group's position. In this respect, the Company has disclosed such notes and policies which represent the required disclosure.
2. The list of Subsidiaries, Associates and Joint Ventures included in the consolidated financial statements are as under:-

	Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership as at 31-3-2008 Percentage (%)
Indian Subsidiaries			
1	L&T Infrastructure Development Projects Limited	India	79.65
2	Larsen & Toubro Infotech Limited	India	100
3	L&T Infrastructure Finance Company Limited	India	100
4	L&T Finance Limited	India	100
5	L&T Infocity Limited	India	53.17
6	Tractor Engineers Limited	India	100
7	Cyberpark Development & Construction Limited	India	30.47
8	Narmada Infrastructure Construction Enterprise Limited	India	79.65
9	International Seaport Dredging Limited	India	51
10	L&T Transportation Infrastructure Limited	India	79.65
11	L&T Capital Company Limited	India	100
12	L&T Western India Tollbridge Limited	India	79.65
13	L&T Infocity Infrastructure Limited	India	27.11
14	L&T-Sargent & Lundy Limited	India	50.0009
15	Hyderabad International Trade Expositions Limited	India	28.55
16	GDA Technologies Limited	India	100
17	L&T Urban Infrastructure Limited	India	59.74
18	GDA Systems Private Limited	India	100
19	Bhilai Power Supply Company Limited	India	99.90
20	Raykal Aluminium Company Private Limited	India	80
21	L&T Uttaranchal Hydropower Limited	India	100
22	L&T Power Projects Limited	India	100
23	L&T-MHI Boilers Private Limited	India	51
24	L&T-MHI Turbine Generators Private Limited	India	51
25	L&T Panipat Elevated Corridor Limited	India	79.65
26	L&T Tech Park Limited	India	30.47
27	L&T Krishnagiri Thopur Toll Road Limited	India	79.65
28	L&T Western Andhra Tollways Limited	India	79.65
29	L&T Vadodara Bharuch Tollway Limited	India	79.65
30	L&T Interstate Road Corridor Limited	India	79.65
31	L&T Vision Ventures Limited	India	40.62
32	L&T South City Projects Limited	India	30.47
33	L&T Phoenix Info Parks Private Limited	India	30.47
34	L&T Bangalore Airport Hotel Limited	India	44.21
35	CSJ Infrastructure Private Limited	India	41.82
36	Andhra Pradesh Expositions Private Limited	India	28.55
37	International Seaports (India) Private Limited	India	79.65
38	Spectrum Infotech Private Limited	India	100
39	India Infrastructure Developers Limited	India	100
40	L&T-Valdel Engineering Limited #	India	95
41	L&T Power Development Limited	India	100
42	L&T Shipbuilding Limited	India	100
43	L&T Infra & Property Development Private Limited	India	100
44	L&T Realty Private Limited	India	100
45	L&T Concrete Private Limited	India	100
46	L&T Strategic Management Limited	India	100
47	Arun Excello Infrastructure Private Limited	India	30.47
48	L&T-Arun Excello Commercial Projects Private Limited	India	30.47
49	L&T Hitech City Limited	India	39.34
50	L&T General Insurance Company Limited	India	100
51	L&T Gulf Private Limited	India	100
52	L&T Transco Private Limited	India	100
53	L&T Chennai-Tada Tollway Private Limited	India	100
54	L&T Seawoods Private Limited	India	100
55	Hi Tech Rock Products & Aggregates Limited	India	100
56	L&T Siruseri Property Developers Limited	India	30.47

Till July 3, 2007 the Company was a Joint Controlled Entity (Indian Joint Venture).

Notes forming part of Consolidated Accounts (contd.)

	Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership as at 31-3-2008 Percentage (%)
Foreign Subsidiaries			
1	Larsen & Toubro International FZE *	UAE	100
2	Larsen & Toubro (Oman) LLC *	Oman	65
3	Larsen & Toubro Electromech LLC *	Sultanate of Oman	65
4	L&T Infocity Lanka (Private) Limited.	Sri Lanka	27.65
5	Larsen & Toubro LLC *	USA	100
6	Larsen & Toubro Information Technology Canada Limited	Canada	100
7	Larsen & Toubro Infotech GmbH	Germany	100
8	L&T Infrastructure Development Projects Lanka (Private) Limited	Sri Lanka	75.67
9	L&T Overseas Projects Nigeria Limited *	Nigeria	100
10	Larsen & Toubro Readymix Concrete Industries LLC * ##	UAE	49
11	Larsen & Toubro (Jiangsu) Valve Company Limited *	China	69.70
12	L&T Electricals Saudi Arabia Company Limited	Saudi Arabia	75
13	Larsen & Toubro Kuwait Construction General Contracting Company WLL * ##	Kuwait	49
14	GDA Technologies Inc.	USA	100
15	Larsen & Toubro (Qingdao) Rubber Machinery Company Limited *	China	95
16	L&T-ECC Construction (M) SDN. BHD.* ##	Malaysia	30
17	Larsen & Toubro (Wuxi) Electric Company Limited *	China	100
18	L&T Modular Fabrication Yard LLC *	Sultanate of Oman	65
19	International Seaports Pte Limited *	Singapore	100
20	Larsen & Toubro Saudi Arabia LLC *	Saudi Arabia	100
21	Larsen & Toubro Qatar LLC * ##	Qatar	49
22	Offshore International FZC	UAE	60
23	Larsen & Toubro (Qingdao) Trading Company Limited *	China	95
24	Larsen & Toubro Atco Saudia LLC * ##	Saudi Arabia	49
25	L&T Realty FZE	UAE	100

* Accounts have been consolidated for the 15 months period ended March 31, 2008
The Parent Company, together with its subsidiaries controls the composition of Board of Directors.

	Name of the Associate Company	Country of Incorporation	Proportion of ownership as at 31-3-2008 Percentage (%)
1	L&T-Komatsu Limited	India	50
2	Audco India Limited	India	50
3	Ewac Alloys Limited	India	50
4	Kakinada Seaports Limited	India	31.23
5	L&T-Case Equipment Private Limited	India	50
6	Voith Paper Technology (India) Limited	India	50
7	International Seaport (Haldia) Private Limited	India	17.77
8	L&T-Chiyoda Limited	India	50
9	L&T-Ramboll Consulting Engineers Limited	India	50
10	L&T-Crossroads Private Limited	India	29.87
11	NAC Infrastructure Equipment Limited	India	31.03
12	Second Vivekananda Bridge Tollway Company Private Limited	India	26.55
13	Gujarat Leather Industries Limited	India	50
14	Ennore Tank Terminals Private Limited	India	20.71
15	Gammon-L&T Infra MRTS Limited	India	39.83
16	Vizag IT Park Limited	India	13.82
17	Larsen & Toubro Qatar & HBK Contracting LLC **	Qatar	24.50
18	TNJ Moduletech Private Limited	India	40
19	L&T Camp Facilities LLC	UAE	49
20	L&T-Arun Excello Realty Private Limited	India	19.71
21	Feedback Ventures Limited	India	26
22	Salzer Cables Limited	India	48.21

**Accounts have been consolidated for the 12 months period ended December 31, 2007

	Name of the Joint Venture	Country of Residence	Proportion ofownership as at 31-3-2008 Percentage (%)
Jointly Controlled Entities-Indian Joint Ventures			
1	L&T-Hochtief Seabird Joint Venture	India	90
2	Desbuild-L&T Joint Venture	India	49
3	International Metro Civil Contractors	India	26
4	Bauer-L&T Diaphragm Wall Joint Venture	India	50
5	HCC-L&T Purulia Joint Venture *	India	43
6	L&T-Demag Plastics Machinery Limited	India	50
7	The Dhamra Port Company Limited	India	39.83
8	L&T-AM Tapovan Joint Venture	India	65
9	Metro Tunnelling Group	India	26
10	L&T Bombay Developers Private Limited	India	29.87
11	L&T-Shanghai Urban Corporation Group Joint Venture	India	51

Notes forming part of Consolidated Accounts (contd.)

	Name of the Joint Venture (Contd.)	Country of Residence	Proportion ofownership as at 31-3-2008 Percentage (%)
Jointly Controlled Entities-Foreign Joint Ventures			
12	L&T-Eastern Joint Venture	UAE	65
13	Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Ebene Cybercity)	Mauritius	50
14	Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Les Pailles Exhibition Centre)	Mauritius	50
Jointly Controlled Operations-Indian Joint Ventures			
15	L&T-HCC Joint Venture	India	-
16	Patel-L&T Consortium	India	-
17	Consortium of Samsung Heavy Industries Co. Ltd., Korea and L&T	India	-
18	Consortium of Global Industries Offshore LLC, USA and L&T	India	-
19	L&T-KBL (UJV) Hyderabad	India	-
20	Consortium of Toyo Engineering Company and L&T	India	-
Jointly Controlled Operations-Foreign Joint Venture			
21	Lurgi L&T KQKS Consortium	Malaysia	-

* Accounts have been consolidated for the 15 months period ended March 31, 2008

3. During the year, an amount of Rs.23.10 crore was amortised from goodwill arising on acquisition of subsidiary, associate and joint venture companies. *(Previous year Rs.5.93 crore)*

4. a) Reserves shown in the consolidated balance sheet, except securities premium and translation reserve, represent fully, the respective reserves of subsidiaries and Group's share in the respective reserves of joint ventures. Translation reserve attributable to minority stakeholders of non-integral foreign operations is allocated to and reported as part of the minority interest in the consolidated balance sheet. Securities premium attributable to minority stakeholders is allocated to and reported as part of the minority interest. Retained earnings comprise General Reserve and Profit and Loss Account.

   b) In respect of one associate company, where financial results upto December 31, 2007 have been considered, necessary adjustments have been made for the effects of any significant events or transactions between the date of the entity's financial statements and the date of Consolidated Financial Statements.

5. The effect of acquisition/disposal of stake in subsidiaries during the year on the Consolidated Financial Statements is as under:

Rs.crore

	Name of Company	Effect on Group profit/(loss) after Minority Interest	Net Assets as at 31-3-2008
a)	**Acquisitions**		
	L&T Power Development Limited	(2.53)	46.47
	L&T Shipbuilding Limited	-	(1.95)
	L&T Infra & Property Development Limited	-	0.01
	L&T Strategic Management Limited	-	0.05
	L&T Concrete Private Limited	-	0.01
	L&T-Valdel Engineering Limited*	3.92	8.86
	L&T Gulf Private Limited	-	1.00
	L&T Transco Private Limited	-	0.01
	L&T General Insurance Company Limited	-	0.03
	L&T Realty Private Limited	-	45.75
	Arun Excello Infrastructure Private Limited	-	102.41
	L&T-Arun Excello Commercial Projects Private Limited	-	13.41
	L&T Hitech City Limited	-	19.09
	HI Tech Rock Products & Aggregates Limited	-	(0.01)
	L&T Siruseri Property Developers Limited	-	0.05
	Offshore International FZC	-	0.34
	Qingdao Larsen & Toubro Trading Company Limited	0.05	0.62
	Larsen & Toubro Atco Saudia LLC	(0.82)	0.26
	L&T Realty FZE	(0.40)	16.53
	Total	**0.22**	**252.94**
b)	**Disposals**		
	HPL Cogeneration Limited	30.59	226.16
	Total	**30.59**	**226.16**

* The company was a Joint Controlled Entity (Indian Joint Venture) up to July 3, 2007

Notes forming part of Consolidated Accounts (contd.)

6. a) Of the Equity Shares of Rs.2 each comprised in the subscribed and paid-up capital of the Company:

   i. 9,19,943 *(previous year 9,19,943)* Equity shares were allotted as fully paid up, pursuant to contracts, without payment being received in cash.

   ii. 15,70,84,226 *(previous year 15,70,84,226)* Equity shares were issued as bonus shares by way of capitalisation of General Reserve: Rs.2.35 crore *(previous year Rs.2.35 crore)*, Securities Premium: Rs.28.97 crore *(previous year Rs.28.97 crore)* and Capital Redemption Reserve: Rs.0.10 crore *(previous year Rs.0.10 crore)*.

   iii. 1,40,99,067 *(previous year 1,25,98,166)* Equity shares were allotted as fully paid up on exercise of grants under Employees' Stock Ownership Schemes.#

   iv. 35,89,870 *(previous year 34,129)* Equity shares were allotted as fully paid up pursuant to exercise of options by bondholders of 5 Year Zero Coupon Japanese Yen Foreign Currency Convertible Bonds convertible into International Global Depository Shares representing equity shares of the Company.

   b) During the year, the Company has issued and allotted 40,00,000 *(previous year Nil)* Global Depository Shares (GDSs) at US$ 100 each representing an equal number of equity shares of Rs.2 each. Consequently, paid up equity share capital of the Company has increased by Rs.0.80 crore and securities premium account has increased by Rs.1560.75 crore, net of issue related expenses.

   c) Options outstanding as at the end of the year on un-issued share capital:

Particulars	Number of equity shares to be issued as fully paid	
	As at 31-3-2008	*As at 31-3-2007*
On conversion of 5 Year Zero Coupon Japanese Yen Foreign Currency Convertible Bonds #	Nil	*35,55,693*
Employee Stock Options granted and outstanding #	90,58,363	*1,20,43,601*

   d) The Directors recommend payment of final dividend of Rs.15 per equity share of Rs.2 each on the number of shares outstanding as on the record date. Provision for final dividend has been made in the books of account for 29,23,27,390 shares outstanding as at March 31, 2008 amounting to Rs.438.49 crore.

   # The number of options have been adjusted consequent to bonus issue wherever applicable.

7. Stock Ownership Schemes of the Parent Company:

   a) The grant of Options to the employees under the Stock Option Schemes is on the basis of their performance and other eligibility criteria. The Options are vested equally over a period of four years [5 years in the case of Series 2006(A)], subject to the discretion of the Management and fulfilment of certain conditions.

   b) The details of the grants under the aforesaid Schemes under various series are summarised below:

	Series reference	2000		2002 (A)		2002 (B)		2003 (A)		2003 (B)		2006		2006 (A)	
		2007-2008	*2006-2007*	2007-2008	*2006-2007*	2007-2008	*2006-2007*	2007-2008	*2006-2007*	2007-2008	*2006-2007*	2007-2008	*2006-2007*	2007-2008	*2006-2007*
1	Grant Price (Prior to Bonus Issue)-Rupees	-	*14*	-	*14*	-	*14*	-	*70*	-	*70*	-	*2404*	-	-
	Grant Price (Post Bonus Issue)-Rupees	7	*7*	7	*7*	7	*7*	35	*35*	35	*35*	1202	*1202*	1202	-
2	Grant Dates	1-6-2000		19-4-2002		19-4-2002		23-5-2003 onwards		23-5-2003 onwards		1-9-2006 onwards		1-7-2007 onwards	
3	Vesting commences on	1-6-2001		19-4-2003		19-4-2003		23-5-2004 onwards		23-5-2004 onwards		1-9-2007 onwards		1-7-2008 onwards	
4	Options granted and outstanding at the beginning of the year	8400	*8600*	10750	*360703*	19850	*389561*	33216	*1298417*	1299885	*1901546*	10671500	-	-	-
5	Options lapsed prior to Bonus Issue	-	-	-	-	-	-	-	*9601*	-	*31372*	-	-	-	-
6	Options granted prior to Bonus Issue	-	-	-	-	-	-	-	-	-	*56460*	-	*5335750*	-	-
7	Options exercised prior to Bonus Issue for which shares are allotted	-	*4400*	-	*355328*	-	*374636*	-	*641656*	-	*634227*	-	-	-	-
8	Options outstanding as on 29-9-2006 prior to Bonus Issue	-	*4200*	-	*5375*	-	*14925*	-	*647160*	-	*1292407*	-	*5335750*	-	-
9	Adjusted options as on 29-9-2006 consequent to Bonus Issue	-	*8400*	-	*10750*	-	*29850*	-	*1294320*	-	*2584814*	-	*10671500*	-	-
10	Options lapsed/withdrawn post Bonus Issue	-	-	-	-	-	-	1276	*24564*	116041	*56339*	3109350	-	-	-
11	Options granted post Bonus Issue	-	-	-	-	-	-	-	-	162390	*216040*	634670	-	995270	-
12	Options exercised post Bonus Issue for which shares are allotted	-	-	-	-	-	*10000*	9214	*1236540*	331766	*1444630*	1159921	-	-	-
13	Options exercised & allocated against shares earlier allotted*	-	-	-	-	-	-	7000	-	43000	-	-	-	-	-
14	Options granted and outstanding at the end of the year	8400	*8400*	10750	*10750*	19850	*19850*	15726	*33216*	971468	*1299885*	7036899	*10671500*	995270	-
	of which –														
	Options vested	8400	*8400*	10750	*10750*	19850	*19850*	15726	*16898*	34666	*20984*	747179	-	-	-
	Options yet to vest	-	-	-	-	-	-	-	*16318*	936802	*1278901*	6289720	*10671500*	995270	-

*Allocated from the shares returned by former nominee Directors in accordance with the consent terms approved by the Hon'ble High Court of Bombay on 14-6-2007.

Notes forming part of Consolidated Accounts (contd.)

8. Stock Ownership Schemes of Subsidary Companies:

   i. Employee Stock Ownership Scheme ('ESOS Plan')

   Under the Employee Stock Ownership Scheme (ESOS) of a subsidiary company, 24,94,423 options are outstanding as at March 31, 2008. The grant of options to the employees under ESOS is on the basis of their performance and other eligibility criteria. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs.5 each.

   All vested options can be exercised on the First Exercise Date as may be determined by the Compensation Committee prior to date of IPO. The details of the grants under the aforesaid scheme are summarised below:

Particulars	Series I to III		Series IV to XIV	
	2007-2008	*2006-2007*	2007-2008	*2006-2007*
1 Grant Price-Rupees	25		10	
2 Options granted and outstanding at the beginning of the year	391653	*391653*	2002433	*1800558*
3 Options granted during the year	-	-	124450	*258830*
4 Options cancelled/lapsed during the year	-	-	24113	*56955*
5 Options exercised and shares allotted during the year	-	-	-	-
6 Options granted and outstanding at the end of the year of which -	391653	*391653*	2102770	*2002433*
Options vested	391653	*391653*	970917	*970917*
Options yet to vest	-	-	1131853	*1031516*

   ii. Employees Stock Ownership Scheme-2006 U.S. Stock Option Sub-Plan ('Sub-Plan')

   The said subsidiary had instituted the Employees Stock Ownership Scheme-2006 U.S. Stock Option Sub-Plan for the employees and Directors of its subsidiary, GDA Technologies, Inc, USA. The grant of options to the employees under this Sub-Plan is on the basis of their performance and other eligibility criteria. The term of option shall be 5 years from the date of grant. The options are vested over a period of five years, subject to fulfilment of certain conditions specified in the respective Option agreement. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs.5 each at an exercise price of USD 12 (equivalent to Rs.530) per share. Under the said plan during the year, the Company granted 160,000 options to the employees out of which 23,500 options stand cancelled, as at the end of the year. Out of the balance 136,500 options outstanding, 8500 options have been vested while 128,000 options remain unvested, as at the end of the year.

   iii. Employees Stock Options granted and outstanding as at the end of the year on unissued share capital represent 26,30,923 options *(previous year 25,54,086)*.

9. Loans and advances include:

   i. amount due from an officer of the Company: Rs.Nil *(previous year Rs.Nil)*. Maximum amount outstanding at any time during the year was Rs.Nil *(previous year Rs.0.04 crore)*.

   ii. rent deposit with whole-time directors: Rs.0.06 crore (*previous year Rs.0.07 crore)*. Maximum amount outstanding at any time during the year: Rs.0.07 crore *(previous year Rs.0.07 crore)*.

   iii. amount, including interest accrued, due from the Managing Director and whole-time directors in respect of Housing Loan: Rs.0.73 crore *(previous year Rs.0.76 crore)*. Maximum amount outstanding at any time during the year: Rs.0.76 crore *(previous year Rs. 1.79 crore)*.

10. Sundry creditors-Others include:

   a) Rs.17.67 crore *(previous year Rs.4.61 crore)*, being contribution received from the employees of the Company and some of its Subsidiary & Associate Companies, on behalf of L&T Employees Welfare Foundation Trust and held on account for it.

   b) advance of Rs.40.00 crore received from Kakinada Infrastructure Holding Private Limited towards sale of 2,05,50,955 equity shares of face value of Rs.10 each in Kakinada Seaports Limited, an associate company as per the share purchase agreement dated February 23, 2008. However the sale can be effected only after fulfilling the conditions stipulated in the conditions precedent referred to in Clause 3 to the share purchase agreement subject to, necessary approvals from lenders and the Government of Andhra Pradesh. The share certificates with transfer deeds have been deposited with an escrow agent pending fulfillment of the conditions.

   c) advance of Rs.11.77 crore received from JRE Tank Terminals Private Limited under an agreement dated August 24, 2007 towards sale of 1,17,65,000 equity shares of Rs.10 each in Ennore Tank Terminals Private Limited to be transferred as follows:

      i. Maximum 15% of shares upon completion of construction of the terminal and

      ii. Balance shares upon completion of 3 calendar years from the date of commencement of commercial operations.

11. Fixed Deposits with Scheduled Bank include Rs.40.41 crore, held in deposit with respect to a claim against the Company awaiting dispute resolution.

12. Sales and service include Rs.75.10 crore *(previous year Rs.119.24 crore)* for price variations net of liquidated damages in terms of contracts with the customers and discounting charges on receivables.

13. Disclosures pursuant to Accounting Standard (AS) 7 (Revised):

		Rs.crore
i)	Contract revenue recognised for the year ended March 31, 2008	19999.24
ii)	Aggregate amount of contract costs incurred and recognised profits (less recognised losses) up to March 31, 2008 for all contracts in progress as at March 31, 2008	35393.02
iii)	Amount of customer advances outstanding for contracts in progress as at March 31, 2008	3275.72
iv)	Retention amounts due from customers for contracts in progress as at March 31, 2008	1533.88

Notes forming part of Consolidated Accounts (contd.)

14. Other income for the year ended March 31, 2008 includes a gain of Rs.34.31 crore recognised on disposal of the Group's stake in one of its subsidiaries.

15. Advances recoverable in cash or kind include an interest-free loan of Rs.200 crore *(previous year: Rs.225 crore)* to L&T Employees Welfare Foundation Trust to part-finance its acquisition of equity shares in the company held by Grasim Industries Limited and its subsidiary. The loan is repayable in 9 years commencing from May 2005 with a minimum repayment of Rs.25 crore in a year.

16. Segment Reporting:
   a) During the year, segment reporting has been reconstituted in compliance with the threshold norms for reportable segments. Consequently, segment figures for the previous year have been regrouped.
   b) Information about Business Segments (Information provided in respect of revenue items for the year ended March 31, 2008 and in respect of assets/liabilities as at March 31, 2008-denoted as "CY" below, previous year denoted as "*PY*")

i) Primary Segments (Business Segments): *Rs.crore*

Particulars	Engineering& Construction		Electrical& Electronics		Machinery& Industrial Products		Financial Services		Developmental Projects		Others		Elimination		Total	
	CY	*PY*	CY	*PY*	CY	*PY*	CY	*PY*	CY	*PY*	CY	*PY*	CY	*PY*	CY	*PY*
Revenue-including excise duty																
External	20600.17	*14434.96*	2485.00	*1780.82*	2647.36	*2011.10*	639.53	*259.36*	293.27	*138.32*	3047.66	*2252.76*	-	-	29712.99	*20877.32*
Inter-Segment	403.10	*234.56*	170.56	*275.58*	33.00	*9.86*	115.58	*54.00*	10.51	*6.92*	128.94	*118.97*	(861.69)	*(699.89)*	-	-
Total Revenue	21003.27	*14669.52*	2655.56	*2056.40*	2680.36	*2020.96*	755.11	*313.36*	303.78	*145.24*	3176.60	*2371.73*	(861.69)	*(699.89)*	29712.99	*20877.32*
Result																
Segment Result	2064.19	*1506.31*	398.21	*303.06*	422.73	*332.35*	246.87	*89.39*	158.91	*297.50*	387.41	*291.20*	-	-	3678.32	*2819.81*
Less: Inter-Segment margin on Capital Jobs															53.20	*48.89*
															3625.12	*2770.92*
Unallocated Corporate income/(expenditure) (net)															(116.95)	*284.52*
Operating Profit (PBIT)															3508.17	*3055.44*
Interest expense															(203.11)	*(158.44)*
Interest income															113.56	*108.03*
Profit before tax (PBT)															3418.62	*3005.03*
Provision for current tax															1039.27	*719.54*
Provision for deferred tax															31.74	*(6.98)*
Provision for fringe benefit tax															76.11	*20.16*
Profit after tax															2271.50	*2272.31*
Segment assets	15655.52	*10882.36*	1631.26	*1233.59*	1353.96	*1016.49*	6857.30	*3132.33*	4335.00	*2809.08*	1625.05	*1398.77*	-	-	31458.09	*20472.62*
Unallocable corporate assets															8539.86	*4343.34*
Total assets															39997.95	*24815.96*
Segment liabilities	10745.19	*7596.96*	621.71	*517.42*	710.14	*545.99*	5692.11	*2755.57*	584.80	*265.49*	204.88	*368.97*	-	-	18558.83	*12050.40*
Unallocable corporate liabilities															9685.39	*5198.31*
Total liabilities															28244.22	*17248.71*
Capital expenditure	1490.14	*872.88*	209.88	*106.43*	113.47	*58.60*	97.71	*181.93*	537.47	*1594.89*	188.60	*87.12*				
Depreciation (including obsolescence, amortisation and impairment) included in segment expense	205.86	*137.03*	24.62	*21.28*	16.19	*13.57*	79.37	*59.07*	66.24	*25.88*	83.60	*70.12*				
Non-cash expenses other than Depreciation included in segment expense	61.76	*36.84*	6.19	*6.70*	8.48	*7.84*	0.80	-	-	-	8.66	*32.88*				

ii) Secondary Segments (Geographical Segments): *Rs.crore*

Particulars	Domestic		Overseas		Total	
	CY	*PY*	CY	*PY*	CY	*PY*
External Revenue by location of customers	22189.67	*15377.22*	7523.32	*5500.10*	29712.99	*20877.32*
Carrying amount of Segment Assets by location of assets	27716.45	*17406.12*	3741.64	*3066.50*	31458.09	*20472.62*
Cost incurred on acquisition of tangible and intangible fixed assets	2198.43	*2825.77*	438.84	*76.09*	2637.27	*2901.86*

Notes forming part of Consolidated Accounts (contd.)

c) Segment Reporting: Segment Identification, Reportable Segments and definition of each reportable segment:

i) Primary/Secondary Segment Reporting Format:

[a] The risk-return profile of the Company's business is determined predominantly by the nature of its products and services. Accordingly, the business segments constitute the primary segments for disclosure of segment information.

[b] In respect of secondary segment information, the Company has identified its geographical segments as (i) Domestic and (ii) Overseas. The secondary segment information has been disclosed accordingly.

ii) Segment Identification:

Business segments have been identified on the basis of the nature of products/services, the risk-return profile of individual businesses, the organisational structure and the internal reporting system of the Company.

iii) Reportable Segments:

Reportable segments have been identified as per the criteria prescribed in Accounting Standard (AS) 17 "Segment Reporting" as specified in the Companies (Accounting Standards) Rules, 2006.

iv) Segment Composition:

- **Engineering & Construction Segment** comprises execution of Engineering and Construction projects to provide solutions in civil, mechanical, electrical and instrumentation engineering (on turnkey basis or otherwise) to core sectors/infrastructure industries, shipbuilding and supply of complex plant and equipment to core sectors. The segment capabilities include basic/ detailed engineering, equipment fabrication/supply, erection & commissioning, procurement/construction and project management.
- **Electrical & Electronics Segment** comprises manufacture and sale of low voltage switchgear and control gear, custom-built switchboards, petroleum dispensing pumps & systems, electronic energy meters/protection (relays) systems, control & automation products and medical equipment.
- **Machinery & Industrial Products Segment** comprises manufacture and sale of industrial machinery & equipment, marketing of industrial valves, construction equipment and welding/industrial products, manufacture and sale of undercarriage assemblies.
- **Financial Services Segment** comprises corporate finance, equipment finance, infrastructure financing and related advisory services.
- **Developmental Projects** comprises development, operation and maintenance of basic infrastructure projects, toll collection, development of urban infrastructure, commercial/residential building construction and providing related advisory services.
- **Others** include ready mix concrete, property development, e-engineering services and embedded systems, power including co-generation of power and steam for captive consumption by Haldia Petrochemicals Limited, and information technology services.

17. Disclosure of related parties/related party transactions:

i. Names of the Related Parties with whom transactions were carried out during the year and description of relationship:

Associate Companies:

1	Audco India Limited	2	EWAC Alloys Limited
3	L&T-Chiyoda Limited	4	L&T-Komatsu Limited
5	L&T-Ramboll Consulting Engineers Limited	6	L&T-Case Equipment Private Limited
7	Voith Paper Technology (India) Limited	8	International Seaports (Haldia) Private Limited
9	Second Vivekananda Bridge Tollway Company Private Limited	10	L&T-Arun Excello Realty Private Limited
11	NAC Infrastructure Equipment Limited	12	Salzer Cables Limited
13	L&T Camp Facilities LLC	14	Vizag IT Park Limited
15	Gammon-L&T Infra MRTS Limited	16	Larsen & Toubro Qatar & HBK Contracting LLC
17	Ennore Tank Terminal Private Limited	18	TNJ Moduletech Private Limited
19	Feedback Ventures Limited		

Joint Ventures (Other than Associates):

1	International Metro Civil Contractors	2	Bauer-L&T Diaphragm Wall Joint Venture
3	The Dhamra Port Company Limited	4	L&T-Demag Plastics Machinery Limited
5	Metro Tunneling Group	6	L&T-Hochtief Seabird Joint Venture
7	Desbuild-L&T Joint Venture	8	HCC-L&T Purulia Joint Venture
9	Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Les Palles Exhibition Centre)	10	Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Eben Cybercity)
11	L&T-AM Tapovan Joint Venture	12	L&T-Shanghai Urban Corporation Group Joint Venture
13	L&T-Eastern Joint Venture		

Key Management Personnel & their relatives:

1	Mr. A.M. Naik (Chairman & Managing Director)	2	Mr. J.P. Nayak (Whole-time Director) Mrs. Neeta J. Nayak (Wife)
3	Mr. Y. M. Deosthalee (Whole-time Director) Mrs. Leena Y. Deosthalee (Wife)	4	Mr. K. Venkataramanan (Whole-time Director) Mrs. Jyothi Venkataramanan (Wife)
5	Mr. R. N. Mukhija (Whole-time Director) Mrs. Sushma Mukhija (Wife)	6	Mr. K. V. Rangaswami (Whole-time Director)
7	Mr. V. K. Magapu (Whole-time Director)	8	Mr. M. V. Kotwal (Whole-time Director)

Notes forming part of Consolidated Accounts (contd.)

ii. Disclosure of related party transactions:

Rs.crore

Sr. No.	Nature of transaction/relationship/major parties	2007-2008 Amount	2007-2008 Amounts for major parties	*2006-2007 Amount*	*2006-2007 Amounts for major parties*
1	Purchase of goods & services (including Commission paid)				
	Associates & Joint Ventures, including:	1061.21		*783.96*	
	Audco India Limited		821.41		*598.11*
	Ewac Alloys Limited		138.88		*108.94*
	Total	1061.21		*783.96*	
2	Sale of goods/power/contract revenue & services				
	Associates & Joint Ventures, including:	80.69		*224.69*	
	Audco India Limited		12.45		-
	L&T-Arun Excello Realty Private Limited		25.28		-
	L&T-Komatsu Limited		21.02		*53.18*
	Second Vivekananda Bridge Tollway Company Private Limited		16.05		*143.44*
	Vishakhapatnam Industrial Water Supply Company Limited		-		*2.71*
	Total	80.69		*224.69*	
3	Purchase/Lease of Fixed Assets				
	Associates & Joint Ventures, including:	20.42		*4.83*	
	L&T-Case Equipment Private Limited		11.13		-
	L&T-Komatsu Limited		6.86		-
	Ewac Alloys Limited		2.43		*4.83*
	Total	20.42		*4.83*	
4	Sale of Fixed Assets				
	Associates & Joint Ventures:	-		-	
	L&T-Case Equipment Private Limited (current year Rs.Nil, *previous year: Rs.3745)*		-		-
	Total	-		-	
5	Subscription to equity and preference shares (incl. application money paid)				
	Associates & Joint Ventures, including:	169.17		*40.25*	
	L&T-Arun Excello Realty Private Limited		29.14		-
	Feedback Ventures Limited		37.90		-
	The Dhamra Port Company Limited		30.00		*40.25*
	L&T-AM Tapovan Joint Venture		45.25		-
	Total	169.17		*40.25*	
6	Receiving of services/overheads charged by related parties				
	Associates & Joint Ventures, including:	0.13		*0.30*	
	L&T-Komatsu Limited		0.13		*0.12*
	L&T-Case Equipment Private Limited		-		*0.11*
	L&T-Ramboll Consulting Engineers Limited		-		*0.05*
	Total	0.13		*0.30*	

Notes forming part of Consolidated Accounts (contd.)

Rs.crore

Sl. No.	Nature of transaction/relationship/majorparties	2007-2008 Amount	2007-2008 Amounts for major parties	2006-2007 Amount	2006-2007 Amounts for major parties
7	Rent paid, including lease rentals under leasing/hire purchase arrangements				
	Associates & Joint Ventures, including:	0.87		0.86	
	Ewac Alloys Limited		0.33		0.30
	L&T-Komatsu Limited		0.53		0.53
	Key Management Personnel	0.13		0.14	
	Relatives of Key Management Personnel	0.11		0.10	
	Total	1.11		1.10	
8	Charges for deputation of employees to related parties				
	Associates & Joint Ventures, including:	0.45		2.24	
	Ewac Alloys Limited		0.07		-
	L&T-Komatsu Limited		0.25		0.37
	The Dhamra Port Company Limited		0.13		-
	L&T-Case Equipment Private Limited		-		0.69
	HCC-L&T Purulia Joint Venture		-		0.54
	Audco India Limited		-		0.29
	L&T-Demag Plastics Machinery Limited		-		0.31
	Total	0.45		2.24	
9	Dividend Received				
	Associates & Joint Ventures, including:	12.98		38.40	
	L&T-Komatsu Limited		3.60		18.00
	Ewac Alloys Limited		1.45		9.12
	Audco India Limited		3.60		8.10
	International Seaports (Haldia) Private Limited		1.47		1.97
	Voith Paper Technology (India) Limited		2.86		-
	Total	12.98		38.40	
10	Commission received, including those under agency arrangements				
	Associates & Joint Ventures, including:	207.05		140.20	
	L&T-Komatsu Limited		198.52		125.20
	Total	207.05		140.20	
11	Rent received, Overheads recovered and Miscellaneous income				
	Associates & Joint Ventures, including:	24.95		8.87	
	L&T-Case Equipment Private Limited		4.61		1.90
	Audco India Limited		3.63		-
	L&T-Chiyoda Limited		6.92		3.00
	Total	24.95		8.87	

Notes forming part of Consolidated Accounts (contd.)

Rs.crore

Sl. No.	Nature of transaction/relationship/majorparties	2007-2008 Amount	2007-2008 Amounts for major parties	2006-2007 Amount	2006-2007 Amounts for major parties
12	Interest Received				
	Associates & Joint Ventures, including:	1.30		1.17	
	L&T-Case Equipment Private Limited		-		0.80
	L&T-Demag Plastic Machinery Limited		1.30		0.37
	Key Management Personnel	0.03		0.02	
	Total	1.33		1.19	
13	Interest Paid				
	Associates & Joint Ventures:	2.35		1.56	
	Audco India Limited		2.35		1.56
	Total	2.35		1.56	
14	Payment of Salaries/Perquisites				
	Key Management Personnel:	38.02		27.20	
	A.M. Naik		8.39		5.85
	J. P. Nayak		4.31		3.04
	Y.M. Deosthalee		4.83		3.53
	K. Venkataramanan		4.79		3.48
	R.N. Mukhija		4.74		3.44
	K.V. Rangaswami		3.54		2.51
	V.K. Magapu		3.54		2.52
	M.V. Kotwal		3.88		2.83
	Total	38.02		27.20	
15	Shares allotted to Whole time Directors under Employee Stock Option Schemes				
	Key Management Personnel:	-		2.71	
	A.M. Naik		-		0.77
	J. P. Nayak		-		0.46
	Y.M. Deosthalee		-		0.46
	K. Venkataramanan		-		0.46
	R.N. Mukhija		-		0.33
	K.V. Rangaswami		-		0.07
	V.K. Magapu		-		0.09
	M.V. Kotwal		-		0.07
	Total	-		2.71	
16	Amount provided for:				
	Associates & Joint Ventures:	-		0.14	
	Larsen & Toubro Limited-Shapoorji Pallonji & Company Limited Joint Venture (Ebene Cybercity)		-		0.14
	Total	-		0.14	

"Major parties" denote entities who account for 10% or more of the aggregate for that category of transaction.

Notes forming part of Consolidated Accounts (contd.)

iii. Amount due to/from related parties

Rs.crore

Sr. No.	Nature of transaction/relationship/major parties	As at 31-3-2008		As at 31-3-2007	
		Amount	Amounts for major parties	Amount	Amounts for major parties
1	Accounts Receivable				
	Associates & Joint Ventures, including:	58.27		50.26	
	L&T-Arun Excello Realty Private Limited		15.12		-
	Voith Paper Technology (India) Limited		-		7.19
	L&T-Demag Plastics Machinery Limited		-		9.41
	Second Vivekanand Bridge Tollway Company Private Limited		27.71		17.90
	The Dhamra Port Company Limited		11.29		-
	Audco India Limited		0.82		10.22
	Total	58.27		50.26	
2	Accounts Payable				
	Associates & Joint Ventures, including:	383.17		247.71	
	Audco India Limited		254.61		209.74
	L&T-Hochtief Seabird Joint Venture		65.90		-
	Total	383.17		247.71	
3	Loans & Advances recoverable				
	Associates & Joint Ventures, including:	105.55		26.62	
	L&T-Case Equipment Private Limited		12.67		11.27
	L&T-Demag Plastics Machinery Limited		12.05		15.10
	L&T-AM Tapovan Joint Venture		55.07		-
	Key Management Personnel	0.79		0.83	
	Relatives of Key Management Personnel	0.06		0.06	
	Total	106.40		27.51	
4	Advances against equity contribution				
	Associates & Joint Ventures, including:	-		0.09	
	Gammon-L&T Infra MRTS Limited		-		0.09
	Total	-		0.09	
5	Advances from Customers				
	Associates & Joint Ventures, including:	8.89		56.33	
	Second Vivekananda Bridge Tollway Company Private Limited		1.56		2.62
	The Dhamra Port Company Limited		-		52.45
	L&T-Arun Excello Realty Private Limited		7.33		-
	Total	8.89		56.33	
6	Due to Whole time Directors				
	Key Management Personnel:	21.96		13.80	
	A.M. Naik		5.23		3.28
	J. P. Nayak		2.62		1.64
	Y.M. Deosthalee		2.62		1.64
	K. Venkataramanan		2.61		1.64
	R.N. Mukhija		2.61		1.64
	K.V. Rangaswami		2.09		1.32
	V.K. Magapu		2.09		1.32
	M.V. Kotwal		2.09		1.32
	Total	21.96		13.80	

"Major parties" denote entities who account for 10% or more of the aggregate for that category of transaction.

Notes forming part of Consolidated Accounts (contd.)

iv. Notes to related party transactions:

a) The Company has a sole selling agreement with L&T- Komatsu Limited (LTK), an associate company, valid for the period of 5 years from October 16, 2006 in line with Government of India (GOI) approval letter dated May 28, 2007. The appointment shall be in effect as long as the Joint Venture Agreement between the Parent Company and M/s Komatsu Asia Pacific Pte. Ltd., Singapore (which is a subsidiary of Komatsu Ltd., Japan) remains in force, subject to approval of GOI, under section 294 AA of the Companies Act, 1956. As per the terms of the agreement, the Company is the exclusive agent of L&T-Komatsu Limited to market LTK machines and provide product support. Pursuant to the aforesaid agreement, LTK is required to pay commission to the Company at specified rates on the sales effected by the Company.

b) The Company entered into five year distributorship agreement from April 26, 2002, with AUDCO India Limited (AIL), an associate company. Pursuant to the aforesaid agreement, AIL is required to pay commission to the Company at specified rates on the sales effected by the Company. Further, as per the terms of the agreement, the company is the non-exclusive distributor of AIL products and is authorised to purchase and resell the same in accordance with the terms stipulated in the agreement. Pending execution of fresh agreement, both AIL and the Company have agreed to continue all the existing arrangements.

c) The Company has renewed the selling agency agreement from October 1, 2003 with Ewac Alloys Limited (EWAC), an associate company. The agreement shall remain valid until either party gives 12 months' prior written notice to the other, for termination. As per the terms of the agreement, the Company is the selling agent authorised to purchase and resell EWAC products in accordance with the prices and other conditions stipulated in the agreement.

d) The Company has a selling agency agreement with L&T-Demag Plastics Machinery Limited (LTDPML), a joint venture company, effective January 1, 2001. As per the terms of the agreement, the Company is a selling and servicing agent of LTDPML. Pursuant to the aforesaid agreement, LTDPML is required to pay commission to the Company at specified rates on sales effected by the Company.

Note: The financial impact of the agreements mentioned at (a) to (d) above has been included in/disclosed vide Note 17(ii) *supra*.

18. Leases

I. Where the Company is a Lessor:

a) The Company has given on finance leases certain items of plant and machinery. The leases have a primary period that is fixed and non-cancellable and a secondary period. There are no exceptional/restrictive covenants in the lease agreement.

b) The total gross investment in these leases as on March 31, 2008 and the present value of minimum lease payments receivable as on March 31, 2008 is as under:

Particulars	*Rs.crore*
1. Receivable not later than 1 year	21.88
2. Receivable later than 1 year and not later than 5 years	39.42
3. Receivable later than 5 years	-
Gross investment in lease (1+2+3)	**61.30**
Less: Unearned finance income	9.73
Present Value of Receivables	**51.57**

c) In respect of one of the leases referred to in (a) above, the lease receivables were recorded at the inception, at the present value of minimum lease payments, and subsequently securitised.

II. Where the Company is a Lessee:

a) Finance Leases:

i. Assets acquired on finance lease mainly comprise cars and personal computers. The leases have a primary period, which is fixed and non-cancellable. In the case of cars, the Company has an option to renew the lease for a secondary period. The agreements provide for revision of lease rentals in the event of changes in (a) taxes, if any, leviable on the lease rentals, (b) rates of depreciation under the Income-tax Act, 1961 and (c) change in the lessor's cost of borrowings. There are no exceptional/restrictive covenants in the lease agreements.

Notes forming part of Consolidated Accounts (contd.)

ii. The minimum lease rentals as at March 31, 2008 and the present value as at March 31, 2008 of minimum lease payments in respect of assets acquired under finance leases are as follows:

Rs.crore

Particulars	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*
1. Payable not later than 1 year	0.26	*0.51*	0.23	*0.45*
2. Payable later than 1 year and not later than 5 years	0.17	*0.12*	0.16	*0.11*
3. Payable later than 5 years	-	-	-	-
Total (1+2+3)	0.43	*0.63*	0.39	*0.56*
Less: Future finance charges	0.04	*0.07*		
Present Value of Minimum Lease Payments	0.39	*0.56*		

iii. Contingent rent recognised/(adjusted) in the Profit and Loss Account in respect of finance leases: Rs.0.02 crore.

b) Operating leases:

i. The Company has taken various residential/commercial premises and plant and machinery under cancellable operating leases. These lease agreements are normally renewed on expiry.

ii. a) The Company has taken on non-cancellable operating leases certain assets, the future minimum lease payments in respect of which, as at March 31, 2008 are as follows:

Rs.crore

Minimum Lease Payments	
1. Payable not later than 1 year	24.08
2. Payable later than 1 year and not later than 5 years	33.21
3. Payable later than 5 years	-
Total (1+2+3)	57.29

b) The lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period. There are no exceptional/restrictive covenants in the lease agreements.

iii. Lease rental expense recognised: Rs.39.81 crore *(previous year Rs.26.47 crore).*

19. Earnings per Share ["EPS"] computed in accordance with Accounting Standard (AS) 20 "Earnings per Share":

		2007-2008	*2006-2007*
Basic			
Profit after minority interest as per Accounts (Rs.crore)	A	2325.36	*2240.14*
Weighted average number of shares outstanding	B	28,75,26,102	*27,93,66,027*
Basic EPS (Rupees)	A/B	**80.87**	***80.19***
Diluted			
Profit after minority interest as per Accounts (Rs.crore)	A	2325.36	*2240.14*
Add: Interest/Exchange difference (gain)/loss on bonds convertible into equity shares (net of tax) (Rs.crore)	B	(21.85)	*(7.62)*
Adjusted profit for diluted earnings per share (Rs.crore)	C=A+B	2303.51	*2232.52*
Weighted average number of shares outstanding	D	28,75,26,102	*27,93,66,027*
Add: Weighted average number of potential equity shares that could arise on conversion of foreign currency convertible bonds	E	12,29,724	*40,11,908*
Add: Weighted average number of potential equity shares on account of employee stock options	F	69,53,366	*51,94,370*
Weighted average number of shares outstanding for Diluted EPS	G=D+E+F	29,57,09,192	*28,85,72,305*
Diluted EPS (Rupees)	C/G	**77.90**	***77.36***

Notes forming part of Consolidated Accounts (contd.)

20. Disclosures required by Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets":

a) Movement in provisions:

Rs.crore

Sr. No.	Particulars	Class of Provisions					
		Product Warranties	Excise Duty	Sales Tax	Litigation related obligation	Others	Total
1	Balance as at 1-4-2007	*24.13*	*2.99*	*16.08*	*29.97*	*25.10*	***98.27***
2	Additional provision during 2007-2008	14.48	3.87	8.55	0.14	42.58	**69.62**
3	Provision reversed during 2007-2008	19.47	2.80	2.45	28.00	1.91	**54.63**
4	Balance as at 31-3-2008 (4=1+2-3)	**19.14**	**4.06**	**22.18**	**2.11**	**65.77**	**113.26**

b) Nature of provisions:

i. Product Warranties: The Company gives warranties on certain products and services, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Provision made as at March 31, 2008 represents the amount of the expected cost of meeting such obligations of rectification/replacement. The timing of the outflows is expected to be within a period of two years.

ii. Provision for Excise duty represents the differential duty liability that is expected to materialise in respect of matters in appeal.

iii. Provision for Sales Tax represents mainly the differential sales tax liability on account of non-collection of declaration forms for the period prior to five years.

iv. Provision for Litigation related obligations represent liabilities that are expected to materialise in respect of matters in appeal.

v. "Others" mainly include provision for estimated rectification costs for completed construction contracts.

c) Disclosures in respect of contingent liabilities are given as part of Schedule J to the Balance Sheet.

21. Estimated amount of contracts remaining to be executed on capital account (net of advances): Rs.2993.07 crore *(previous year Rs.1182.61 crore).*

22. a) Provision for current tax:

i. includes provision for wealth tax Rs.1.23 crore *(previous year: Rs.0.88 crore)*

ii. is net of Rs.25.33 crore being provision for income tax of earlier years written back *(previous year: Rs.Nil)*

b) Provision for tax on fringe benefits includes Rs.0.79 crore pertaining to earlier years.

23. Deferred tax:

a) Computation of cumulative deferred tax asset/liabilities has not been made in respect of the foreign subsidiaries of the Group. In the opinion of the management, the impact is not material.

b) In the case of two subsidiary companies, as per the terms of the interim injunction dated December 6, 2001 restraining the Institute of Chartered Accountants of India from implementing the Accounting Standard (AS) 22 "Accounting for Taxes on Income" with reference to Non Banking Finance Companies (NBFC), issued by the High Court of Judicature at Madras in response to the Miscellaneous Petition no.27682 of 2001 in Writ Petition no.18827 of 2001 filed by the Association of Leasing & Financial Services Companies (ALFS), of which these companies are members, no provision has been made in the accounts towards deferred tax liability till the end of the previous year, pending final disposal of the Petition.

Subsequently, in view of the decision given by the Hon'ble Supreme Court, the Accounting Standard (AS) 22 is now made applicable. Accordingly, the net deferred tax liability of Rs.21.10 crore pertaining to the period prior to April 1, 2007 has been adjusted against retained earnings in accordance with the transitional provision of the standard.

Notes forming part of Consolidated Accounts (contd.)

c) Major Components of Deferred Tax Liabilities and Deferred Tax Assets:

Rs.crore

Particulars	Deferred Tax Liabilities/ (Assets) As at 31-3-2007	Charge/ (credit) to Profit and Loss Account	Charge/(credit) to Reserves			Effect Due to acquisition/ disposal	Deferred Tax Liabilities/ (Assets) As at 31-3-2008
			Retained Earnings	Securities Premium	Translation Reserve		
Deferred Tax Liabilities:							
Difference between book and tax depreciation	*253.97*	62.37	15.12	-	-	(39.72)	291.74
Disputed statutory liabilities paid and claimed as deduction for tax purposes but not debited to Profit & Loss Account	*20.52*	3.73	-	-	-	-	24.25
Others	*0.21*	3.75	7.14	-	(0.03)	(0.02)	11.05
Total	*274.70*	69.85	22.26	-	(0.03)	(39.74)	327.04
Deferred Tax (Assets):							
Provision for doubtful debts and advances debited to Profit & Loss Account	*(82.95)*	(21.13)	(0.20)	-	-	-	(104.28)
Unpaid Statutory Liabilities/Provision for compensated absences debited to Profit & Loss Account	*(49.11)*	0.02	(0.20)	-	-	-	(49.29)
Unabsorbed depreciation/brought forward business losses	*(0.70)*	(14.29)	-	-	-	-	(14.99)
Other items giving rise to timing differences	*(34.53)*	(2.71)	(0.76)	1.23	0.01	-	(36.76)
Total	*(167.29)*	(38.11)	(1.16)	1.23	0.01	-	(205.32)
Net Deferred Tax Liability/(Assets)	107.41	31.74	21.10	1.23	(0.02)	(39.74)	121.72
Previous Year	*126.75*	*(6.98)*	*(12.99)*	*0.41*	-	*0.22*	*107.41*

24\. a) The Group has undertaken various projects on 'Build-Operate-Transfer' (BOT) basis as per the concession agreements with the Government authorities. Under the agreements, the concession period for toll collection or annuity payments ranges from 15 to 32 years. At the end of the said concession period, the entire facilities are transferred to the concerned Government authorities.

b) The aggregate amount of revenues and profit before tax, recognised during the year in respect of construction services related to Build-Operate-Transfer (BOT) projects is Rs.861.23 crore and Rs.89.52 crore respectively {refer accounting policy disclosed in Schedule Q vide Para 2(g)}

In addition, an amount of Rs.41.48 crore (net of cumulative amortisation charge of Rs.31.86 crore) has been recognised as profit before tax, during the year in respect of construction services rendered in earlier years.

c) Loans and advances include Rs.232.84 crore being cumulative construction costs incurred including related margins in respect of Build-Operate-Transfer (BOT) projects.

25\. The Parent Company has given, *inter alia,* the following undertakings in respect of its investments:

a) Jointly with L&T Infrastructure Development Projects Limited (a subsidiary of the Company), to the term lenders of its subsidiary companies L&T Transportation Infrastructure Limited (LTTIL) and Narmada Infrastructure Construction Enterprise Limited (NICE):

i. not to reduce their joint shareholding in LTTIL & NICE below 51% until the financial assistance received from the term lenders is repaid in full by LTTIL & NICE and

ii. to jointly meet the shortfall in the working capital requirements of LTTIL & NICE until the financial assistance received from the term lenders is repaid in full by LTTIL & NICE

b) To one of the term lenders of NICE to meet the shortfall, if any, in repayment of the FCNR-B loans availed by NICE on account of fluctuation in exchange rates.

c) In terms of Company's Concession Agreement with Government of India and Government of Gujarat, not to change the control over L&T Western India Tollbridge Limited (a subsidiary of L&T Infrastructure Development Projects Limited) during the period of the Agreement.

d) To the lenders, of its subsidiaries L&T Panipat Elevated Corridor Private Limited & L&T Krishnagiri Thopur Toll Road Limited, not to dilute Company's shareholding below 51%, in L&T Infrastructure Development Projects Limited (a subsidiary of the Company).

Notes forming part of Consolidated Accounts (contd.)

e) To the lender of L&T Offshore International FZC (a subsidiary of the Company), not to pledge or reduce it's shareholding in L&T International FZE (the Holding Company of L&T Offshore International FZC) below 100% of the issued & allotted share capital.

f) Jointly with L&T-MHI Turbine Generators Private Limited (a subsidiary of L&T Power Projects Limited, which is a wholly owned subsidiary of the Company) and Mitsubishi Heavy Industries Limited (JV partners in L&T-MHI Turbine Generators Private Limited), to Andhra Pradesh Power Development Company Limited (APPDCL) to render unconditional and irrevocable financial support for the successful execution of APPDCL 2 x 800 MW Power Project-Steam Turbine Generator Package Tender, near Krishnapatnam, Nellore District, Andhra Pradesh, in case of award.

26. L&T Infrastructure Development Projects Limited, a subsidiary of the Parent Company

a) has pledged its investment in the equity shares of Second Vivekananda Bridge Tollway Company Private Limited (SVBTC) of Rs.32.35 crore to the Senior Lenders as security for the Term Loans sanctioned by them to SVBTC.

b) has given an undertaking to the Term lenders of SVBTC to subscribe to quasi equity of the Company to the extent of Rs.10 crore. Accordingly, the Company has subscribed in cumulative redeemable convertible preference shares to the extent of Rs.10 crore.

c) has entered into agreements with the lenders to Bangalore International Airport Limited (BIAL) for pledge and non-disposal of shares held by it in BIAL.

d) has pledged its investment in the equity shares of the Dhamra Port Company Limited (DPCL) of Rs.63.01 crores, to the term lenders of DPCL.

e) has given the following undertakings jointly with Pacific Alliance Stradec Group Infrastructure Company LLC and SVBTC to the term lenders of SVBTC:

i) to meet the cost overrun and

ii) not to reduce the joint shareholding below 51% during construction period and for 3 years following commercial operations and below 26% during balance operational period.

f) has given the following undertakings jointly with other promoters and Kakinada Seaports Limited (KSPL) to the term lenders of KSPL not to offload shares and to produce shares for physical verification by the bank.

g) has given the following undertakings jointly with Tata Steel Limited and DPCL to the term lenders of DPCL:

i) To meet the cost overrun

ii) Not to reduce the joint share holding below 51% upto the commercial operations date and below 26% during the balance remaining operations period.

h) has pledged its investment in the equity shares of the following subsidiary companies to the lenders of term loan of the respective companies:

Rs.crore

Sr. No.	Name of the subsidiary	As at 31-3-2008	*As at 31-3-2007*
1	L&T Panipat Elevated Corridor Limited	17.11	*0.01*
2	L&T Krishnagiri Thopur Toll Road Limited	13.32	*0.05*
3	L&T Western Andhra Tollway Limited	8.21	*0.05*
4	L&T Vadodara Bharuch Tollway Limited	22.16	*0.05*
5	L&T Interstate Road Corridor Limited	14.82	*0.05*

The Company has also given the following undertaking, to the term lenders of the aforesaid subsidiary companies:

i) not to reduce its shareholding in the said subsidiary companies below 51% upto a period of 3 years after commercial operation date and below 26% till final settlement date.

ii) To meet the cost overrun to the extent of 5% of the project cost.

27. On May 14, 2008, the Company entered into a definitive agreement for sale of Ready Mix Concrete (RMC) business. The financial effect of this sale will be given in the financial year 2008-2009 on conclusion of the transaction.

28. In line with the Group's risk management policy, the various financial risks mainly relating to changes in the exchange rates, interest rates and commodity prices are hedged by using a combination of forward contracts, swaps and other derivative contracts, besides the natural hedges.

Pursuant to the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008 on accounting of derivatives, the Group has adopted, during the year under review, the principles of hedge accounting as per the Accounting Standard (AS) 30, in respect of those derivative transactions which are not covered by the existing Accounting Standard (AS) 11. This treatment has resulted in a net loss of Rs.261.75 crore arising out of fair valuation of outstanding derivative contracts which has been recognised in the Profit & Loss Account. Consequently, profit before tax for the year is lower by the same amount.

Notes forming part of Consolidated Accounts (contd.)

a) The particulars of derivative contracts entered into for hedging purposes outstanding as at March 31, 2008 are as under:

Rs.crore

	Category of Derivative Instruments	As at 31-3-2008	*As at 31-3-2007*
i)	For hedging foreign currency risks		
a)	Forward contracts for receivables including firm commitments and highly probable forecasted transactions	3004.48	*2642.30*
b)	Forward contracts for payables including firm commitments and highly probable forecasted transactions	2086.69	*1630.47*
c)	Currency Swaps	3858.49	-
d)	Option Contracts	4983.70	-
ii)	For hedging interest rate risks		
a)	Interest rate swaps	350.00	*25.00*
iii)	For hedging commodity price risks		
a)	Commodity Futures (Net)	-	*646.95*
b)	Commodity Options	-	*73.03*

b) Unhedged foreign currency exposures as at March 31, 2008 are as under: *Rs.crore*

	Unhedged Foreign Currency Exposures	As at 31-3-2008	*As at 31-3-2007*
i)	Receivables, including firm commitments and highly probable forecasted transactions	14668.08	*6797.36*
ii)	Payables, including firm commitments and highly probable forecasted transactions	10264.39	*5530.06*

29. Disclosure pursuant to Accounting Standard (AS) 15 (Revised):

i. Defined Contribution Plans:

Amount of Rs.56.16 crore *(previous year Rs.48.09 crore)* is recognised as an expense and included in "Staff Expenses" (Schedule N) in the Profit and Loss Account.

ii. Defined Benefit Plans

a) The amounts recognised in Balance Sheet are as follows: *Rs.crore*

	Particulars	Gratuity Plan		Post-retirement Medical Benefit Plan		Company Pension Plan		Trust-Managed Provident Fund Plan	
		As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*
A	Amount to be recognised in Balance Sheet								
	Present Value of Defined Benefit Obligation								
	- Wholly Funded	243.33	*212.25*	-	-	-	-	1014.16	*933.74*
	- Wholly Unfunded	0.75	*0.38*	60.31	*47.09*	152.44	*119.76*	-	-
		244.08	*212.63*	60.31	*47.09*	152.44	*119.76*	1014.16	*933.74*
	Less: Fair value of Plan Assets	213.22	*160.33*	-	-	-	-	1014.85	*947.84*
	Less: Unrecognised Past Service Costs	-	-	1.57	-	1.09	*1.20*	-	-
	Amount to be recognised as Liability or (asset)	30.86	*52.30*	58.74	*47.09*	151.35	*118.56*	(0.69)@	*(14.10)@*
B	Amounts reflected in the balance sheet								
	Liabilities	30.86	*52.30*	58.74	*47.09*	151.35	*118.56*	11.44	*2.18*
	Assets	-	-	-	-	-	-	-	-
	Net Liability/(asset)	30.86	*52.30*	58.74	*47.09*	151.35	*118.56*	11.44 #	*2.18 #*

Notes forming part of Consolidated Accounts (contd.)

b) The amounts recognised in Profit and Loss Account are as follows:

Rs.crore

	Particulars	Gratuity Plan		Post-retirement Medical Benefit Plan		Company Pension Plan		Trust-Managed Provident Fund Plan	
		2007-2008	*2006-2007*	2007-2008	*2006-2007*	2007-08	*2006-2007*	2007-2008	*2006-2007*
1	Current Service Cost	17.43	*14.77*	2.75	*See note below $*	3.51	*3.59*	48.72**	*38.73***
2	Interest Cost	17.44	*12.96*	4.04	*See note below $*	10.07	*8.18*	78.28	*72.90*
3	Expected (Return) on Plan Assets	(12.09)	*(11.63)*	-	-	-	-	(79.72)	*(70.78)+*
4	Actuarial Losses/(Gains)	8.09	*20.82*	1.36	-	21.65	*2.40*	12.36	*(5.45)+*
5	Past Service Cost	-	-	5.45	-	0.11	-	-	-
6	Adjustment for earlier years	0.05	-	-	-	-	-	-	-
7	Actuarial (loss)/Gain not recognised in books	-	-	-	-	-	-	(10.92)	*3.33+*
8	Excess Provisions	0.07	-	-	-	-	-	-	-
9	Amount capitalised out of the above	(0.04)	-	-	-	-	-	-	-
	Total included in "Staff Expenses" (1 to 9)	30.95	*36.92*	13.60	*47.09*	35.34	*14.17*	48.72	*38.73*
	Actual Return on Plan Assets	18.58	*8.60*	-	-	-	-	67.36	*76.23*

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

Rs.crore

Particulars	Gratuity Plan		Post-retirement Medical Benefit Plan		Company Pension Plan		Trust-Managed Provident Fund Plan	
	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*
Opening balance of the present value of Defined Benefit Obligation	212.63	*179.68*	47.09	-	119.76	*106.69*	933.74	*848.18*
Add: Current Service Cost	17.43	*14.77*	2.75	*47.09$*	3.51	*3.59*	-	-
Add: Interest Cost	17.44	*12.96*	4.04	*See Note below$*	10.07	*8.18*	78.28	*72.90*
Add: Contribution by plan participants								
i) Employer	-	-	-	-	-	-	48.72**	*38.73***
ii) Employee	-	-	-	-	-	-	98.32	*82.75*
Add/(less): Actuarial losses/(gains)	14.58	*17.79*	1.36	-	21.64	*2.40*	-	-
Less: Benefits paid	(18.47)#	*(13.09)*	(2.16)	-	(2.54)	*(2.30)*	(126.97)	*(108.82)*
Add: Past service cost	-	-	7.02	-	-	*1.20*	-	-
Add: Liabilities assumed in an amalgamation/aquisitions	0.12	*0.52*	-	-	-	-	-	-
Add/(less): Adjustment for earlier years	0.35	-	0.21	-	-	-	(17.93)	-
Closing balance of the present value of Defined Benefit Obligation	244.08	*212.63*	60.31	*47.09*	152.44	*119.76*	1014.16	*933.74*

Notes forming part of Consolidated Accounts (contd.)

d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

Rs.crore

Particulars	Gratuity Plan		Trust-Managed Provident Fund Plan	
	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*
Opening balance of the fair value of the plan assets	160.33	*154.50*	947.84	*860.67*
Add: Expected Return on Plan Assets	12.09	*11.63*	79.72	*70.78*
Add/(less): Actuarial gains/(losses)	6.49	*(3.03)*	(12.36)	*5.45*
Add: Contribution by the employer	52.21	*10.32*	47.79	*38.01*
Add: Contribution by plan participants	-	-	97.16	*81.75*
Less: Benefits paid	(18.47)	*(13.09)*	(126.97)	*(108.82)*
Add: Business combinations/aquisitions	0.13	-	-	-
Add/(less): Adjustment for earlier years	0.44	-	(18.33)	-
Closing balance of the Plan Assets	213.22	*160.33*	1014.85	*947.84*

Note: The fair value of the plan assets under the Trust Managed Provident Fund plan has been determined at amounts based on their value at the time of redemption, assuming a constant rate of return to maturity.

The Company expects to fund Rs.30.11 crore *(previous year: Rs.51.45 crore)* towards its Gratuity Plan and Rs.51.64 crore *(previous year: Rs.40.74 crore)* towards its Trust-Managed Provident Fund Plan during the year 2008-2009.

@ Asset is not recognised in the balance sheet.

Employer's and employees' contribution (net) for March is paid in April.

$ Pursuant to change in accounting policy in conformity with AS 15, the liability for post-retirement medical benefits has been determined on actuarial basis during 2006-2007 and the amounts for current service cost and interest cost were not determined separately.

** Employer's contribution to Provident Fund.

+ The actual return on plan assets is higher than interest cost, but no credit has been taken to the Profit and Loss Account.

e) The major categories of plan assets as a percentage of total plan assets are as follows:

Rs.crore

Particulars	Gratuity Plan		Trust-Managed Provident Fund Plan	
	As at 31-3-2008	*As at 31-3-2007*	As at 31-3-2008	*As at 31-3-2007*
Government of India Securities	39%	*34%*	22%	*20%*
State Government Securities	-	-	13%	*13%*
Corporate Bonds	38%	*36%*	5%	*5%*
Equity Shares of Listed Companies	1%	*1%*	-	-
Fixed Deposits under Special Deposit Scheme framed by Central Government for Provident Funds	16%	*22%*	30%	*33%*
Insurer Managed Funds	2%	*3%*	-	-
Public Sector Unit Bonds	-	-	30%	*29%*
Others	4%	*4%*	-	-

Basis used to determine the overall expected return:

The Trust formed by the Company manages the investments of Provident Fund and Gratuity Fund. Expected rate of return on investments is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year. Yield on the portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities.

Notes forming part of Consolidated Accounts (contd.)

f) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	As at 31-3-2008	*As at 31-3-2007*
1) Discount Rate:		
a) Gratuity Plan	8.33%	*8.23%*
b) Company Pension Plan	8.35%	*8.24%*
c) Post-Retirement Medical Benefit Plan	8.39%	*8.26%*
2) Expected return on plan assets	7.50%	*7.50%*
3) Annual increase in healthcare costs (See note below)	5.00%	*5.00%*
4) Salary Growth rate:		
a) Gratuity Plan	6.00%	*6.00%*
b) Company Pension Plan	7.00%	*7.00%*

5) Attrition Rate:

a) For Post-Retirement Medical Benefit Plan & Company Pension Plan, the attrition rate varies from 2% to 8% *(previous year 2% to 8%)* for various age groups.

b) For Gratuity Plan the attrition rate varies from 1% to 7% *(previous year 1% to 7%)* for various age groups.

6) The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

7) The interest payment obligation of Trust-Managed Provident Fund is assumed to be adequately covered by the interest income on long term investments of the fund. Any shortfall in the interest income over the interest obligation is recognised immediately in the Profit and Loss Account as actuarial losses.

8) The obligation of the company under the post-retirement medical benefit plan is limited to the overall ceiling limits. At present, healthcare cost, as indicated in the principal actuarial assumption given above, has been assumed to increase at 5% p.a.

9) A one percentage point change in assumed healthcare cost trend rates would have the following effects on the aggregate of the service cost and interest cost and defined benefit obligation:

Rs.crore

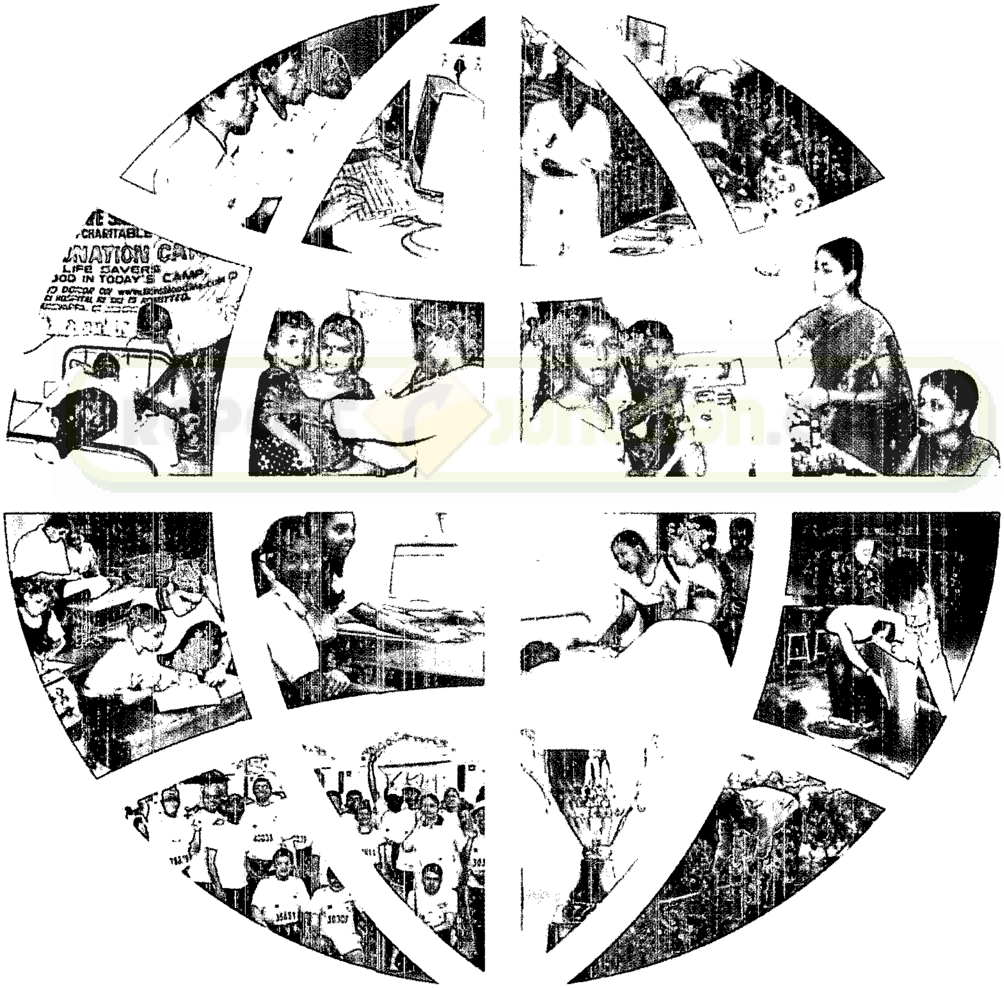
Particulars	Effect of 1% increase		Effect of 1% decrease	
	2007-2008	*2006-2007*	2007-2008	*2006-2007*
Effect on the aggregate of the service cost and interest cost	0.60	*0.67*	(0.99)	*(0.54)*
Effect on defined benefit obligation	4.00	*3.05*	(3.30)	*(2.50)*

g) The amounts pertaining to defined benefit plans are as follows:

Rs.crore

Sr. No.	Particulars	As at 31-3-2008	*As at 31-3-2007*
1	Post-Retirement Medical Benefit Plan (Unfunded)		
	Defined Benefit Obligation	58.74	*47.09*
2	Gratuity Plan (Funded/Unfunded)		
	Defined Benefit Obligation	244.08	*212.63*
	Plan Assets	213.22	*160.33*
	Surplus/(deficit)	(30.86)	*(52.30)*
	Experience Adjustment Plan Liabilities	16.44	*25.84*
	Experience Adjustment Plan Assets	(2.92)	*6.59*
3	Post-Retirement Pension Plan (Unfunded)		
	Defined Benefit Obligation	151.35	*118.56*
4	Trust Managed Provident Fund Plan (Funded)		
	Defined Benefit Obligation	1014.16	*933.74*
	Plan Assets	1014.85	*947.84*
	Surplus/(deficit)	0.69	*14.10*

Towards a Brighter Tomorrow For All



L&T's community service initiatives cover
Education, Technical Training, Health & the Environment

Printed by INFOMEDIA INDIA LIMITED